The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

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SATURDAY, DECEMBER 31, 1932 VOLUME 63, NUMBER 5

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YEARLY SUBSCRIPTION, FIFTY-TWO ISSUES, TWELVE DOLLARS (CHINESE CURRENCY) IN ADVANCE, POSTAGE INCLUDED IN CHINA AND JAPAN. IN THE UNITED STATES AND FOREIGN COUNTRIES EIGHT DOLLARS U. S. CURRENCY. REMITTANCE FROM OTHER COUNTRIES THAN CHINA AND THE U. S. CAN BE MADE BY INTERNATIONAL MONEY ORDER. ENTERED AS SECOND-CLASS MATTER IN THE CHINESE POST OFFICE AT SHANGHAI IN MAY 1917.

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THE CASE OF ADVISER REA AND HIS FAR EASTERN REVIEW

SOMETIME ago the Chinese authorities allegedly demanded the deportation of a young American journalist, Harold R. Isaacs, and the suppression of his paper *The China Forum*, on the ground the paper was communistically inspired. Mr. Isaacs' paper was published in the International Settlement, which is under foreign control and Mr. Isaacs, being an American citizen, was not subject to arrest by the Chinese authorities. It is understood the American authorities warned Mr. Isaacs, but before any action was taken his paper was discontinued, the alleged reason being the refusal of any Chinese publishing plant to print his publication. In our reference to the case of *The China Forum*, mention was made of the somewhat similar case of the *Far Eastern Review*, another American edited journal which for several years had supported Japanese military policy in the Far East and to make matters worse, the editor, George Bronson Rea, had accepted a position as adviser to the puppet state of Manchukuo. Mr. Rea was appointed adviser to Manchukuo upon the alleged recommendation of the Japanese Foreign Office and immediately after receiving his appointment, Mr. Rea was sent to Geneva for the purpose of assisting the Japanese (and Manchukuo) in the League battle over the Lytton Report and the Manchurian question. On several occasions there have been references in the news reports from Geneva to Mr. Rea's propaganda activities which have been embarassing to the Chinese authorities and possibly also to the American authorities since Rea has been attacking the Hoover-Stimson policy of non-recognition of Manchukuo.

Apparently as a result of Mr. Rea's activities at Geneva, plus the circulation of articles in his paper antagonistic to China, the Chinese authorities have banned his journal from the mails. On Dec. 24 the officials at Nanking issued the following statement on the subject,

> Official circles here confirm the report that measures have been taken by Chinese Government authorities to withdraw the postal privileges from the *Far Eastern Review*, a monthly journal published and edited by George Bronson Rea. The reason for this action is said to be that since Rea has become an advisor to the puppet "Manchukuo" government, and has ever since been actively engaged in malicious propaganda against China in Geneva and elsewhere, he has made himself an enemy of the Chinese nation. It follows, therefore, that the Chinese Government

cannot countenance the circulation in China of a newspaper published by a person who is openly working against her interests. It is pointed out that the *Far Eastern Review*, although purporting to be a magazine dedicated to the engineering, financial and commercial advancement in the Far East, has always steeped itself in political tirades against the Chinese Government and persistently championed the cause of Japanese aggression in China. The deprivation of the journal's postal privileges is, it is felt, a much-needed chastisement.

Nanking, December 24, 1932.

The cases of these two American journals, one allegedly communistic and the other openly and frankly and frequently blatantly pro-Japanese, have served again to emphasize the generally unsatisfactory status of foreign-registered newspapers in China, a subject which has received frequent mention in these columns. In no other country in the world does a situation exist similar to that which prevails in China where foreigners own and publish newspapers which are generally circulated throughout the country, but which are not subject to the laws and regulations of China. One might imagine a similar situation in the United States if the exterritorial system prevailed there and if the *New York Times*, for example, was owned by an Englishman and was registered at the British consulate in New York. Should the *New York Times*, under British ownership and registration, carry on a campaign of abuse against the American Government and American institutions generally, the Americans would be powerless to interfere because the *Times* would be subject only to British law and so long as the British consul or ambassador did not object the paper could continue its anti-American policy. This, in a sense, is the situation which exists in China where newspapers owned by foreigners are not subject to Chinese law, but to the laws and regulations of the country to which the foreigner owes allegience. Therefore if such a foreign-registered newspaper libels a Chinese citizen or abuses the Chinese government, the Chinese have (or until recently did not have) any recourse except to bring an action in some foreign consular court. Obviously the situation has been unsatisfactory because some foreigners have taken advantage of their freedom from interference on the part of the Chinese authorities to conduct journals which they would not think of conducting if they were subject to Chinese regulations. We do not wish to imply that some of these attacks by foreign-registered journals have not been justified, but what we are trying to get at is the ethics of a situation which permits foreigners to do things in China which they obviously would not do in any other country where they were subject to the local and national laws. The Japanese, for example, would not think of publishing an anti-American journal in San Francisco, but they do not hesitate to carry on anti-Chinese press campaigns in China, and do so with impunity by reason of their exterritorial privileges which place them beyond the reach of Chinese laws.

Since the National Government came into power five years ago various attempts have been made to make foreign publications amenable to the laws and regulations which Chinese-owned and edited publications must observe. But the attempt has not met with much success and doubtless will not be solved until the whole exterritorial question is settled. Two or three years ago the National Government adopted regulations requiring all publications foreign or otherwise, to register with one of the government departments and with the Kuomintang headquarters, but according to report few foreign papers have complied with the regulations, although some have attempted to do so. Recently the Chinese postal authorities sent out notices threatening a discontinuance of postal priveleges in the event the newspaper failed to comply with the registration regulations, but even this has not brought a solution to the problem. In the meantime the present unsatisfactory situation probably will continue with some foreign editors and journalists abusing their privileges and the Chinese retaliating with drastic measures until the whole exterritorial issue is adjusted.

AMERICAN TRADER'S COMPLAINT AND A POINTED REPLY

IN *The Review* for Dec. 3 (Page 26) there appeared a brief reference to an article entitled "China Plays the Innocent," which was written by G. Warren Heath, an American businessman who formerly represented the firm of William R. Warner and Company, manufacturers of the well-known "Richard Hudnut" perfumes and pharmaceutical preparations extensively sold in China. Mr. Heath's article, which generally supported the Japanese point of view in the present Far Eastern controversy, appeared in the September number of *Current History*, a magazine which is owned and published by *The New York Times*. Although Mr. Heath declared in the course of his article, "I am still pro-Chinese and have a great desire to see China become stabilized, etc.," his article generally supported Japanese military policy both in Manchuria and at Shanghai. He declared that Manchuria needed "cleaning up" and expressed the opinion that Japanese occupation "would be a good thing provided the rest of the world is accorded equal privileges." Regarding the Shanghai affair, Mr. Heath argued the Japanese action was justified by the Chinese boycott and finally fell back on the oft-repeated Japanese propaganda that the Japanese had "saved" Shanghai from looting and desecration by the Chinese Nineteenth Route Army. He also made much of the other Japanese argument that Japan, by erecting a buffer-state in Manchuria, is saving China from Soviet domination. In one paragraph of his article Mr. Heath quoted an unnamed captain in the British Military Intelligence Service at Shanghai, to the effect that both the British and American governments were informed beforehand of Japan's intentions in Manchuria, "hence as no protest was made at the time, it is reasonable to believe that both the British and American governments acquiesced in what was to follow and were quite willing to accept whatever benefits might accrue as the result of Japan's action." In view of these various circumstances, Mr. Heath urged his readers to be tolerant of Japan, "who, after all is said and done, evinced a desire to clean up existing conditions and has actually pulled the chestnuts out of the fire for us."

Although it is unfair in most cases to attribute motives to writers of magazines articles

which are not apparent on the surface, this does not apply in Mr. Heath's case because other passages in his article did disclose his motives. As Mr. Heath was the representative of the William R. Warner Company which markets perfumes and pharmaceutical products in the China market, it was most evident in his article that he had experienced complications with the Nanking Bureau of Trade-Marks. As an example of what was termed the "general cussedness" of the Chinese, he declared, "....on a recent trip to China, during which I was handling a well-known American product, which had been registered with the Bureau of Trade-Marks at Nanking, I discovered thirty-two clever infringements in Shanghai alone." This statement by Mr. Heath brought forth a strong denial by the director of the Nanking trade-mark bureau, which was published in *The China Press*, hence we have no desire to enter into that phase of the subject, but it is interesting to note in the December *Current History* that Mr. Heath's article has aroused strong criticism in other quarters. D. L. Anderson, apparently an American military officer, who gave his address as Vashon, Washington (near Seattle), had the following to say regarding Mr. Heath's views on the Far Eastern situation,

> The article in the September issue of *Current History* by Mr. G. Warren Heath was interesting as reflecting the attitude of the foreign mercantile class in China whenever their opinion on Chinese affairs is expressed. There is a saying current in the East to the effect that Chinese affairs interest no business man except when the volunteers are called out.
>
> In the first place, as a military man I may safely say that the Chinese did win the action at Shanghai despite lack of support and ammunition. It is no small thing to overwhelm the highly touted forces of Japanese imperialism in quarters where you are at a disadvantage. The troops of the Western nations will not be flattered by Mr. Heath's failure to see them. The fact that the International Settlement was closely barricaded by the American, British, Italian, French, Spanish and other troops is, of course, irrelevant to the main issue, which seems to be the blackening of China's moral character.
>
> Regarding the misuse of the world "bandit," let me point out to Mr. Heath that there is no sense in calling attention to banditry in China before we suppress banditry in the United States. I feel safer in China than I do in Chicago. At least in China the bandits are after a fairly definite thing—my purse. They are not narcotized to such a degree that they are insensible of the value of human life.
>
> It might be well for Mr. Heath to remember that, in the matter of trade-marks and copyrights, the Chinese are our faithful imitators. They are merely copying the present United States law under which the original owners of the Bosch patents and copyrights are not permitted the use of their original trade-marks nor their patent protection. The Alien Property Custodian sold these to an American concern, though a close study of the laws of war and the theories of international law fail to reveal his right to do so.
>
> Mr. Heath should also be reminded of the fact that what is known to military intelligence officers is not always the basis of governmental action. There is an old and honored legal maxim to the effect that there can be no injunction launched against a fact in the process of thought. In other words, the governments of both the United States and Great Britain would have sorely betrayed their intelligence officers by a premature revelation of the information they had gathered. As to the creation of a buffer State, Mr. Heath has been led astray. A buffer State—not sadly torn, but more or less whole—was already in existence before the Japanese move. The Japanese cannot claim that they have protected the Western world. They have, in fact, sorely damaged the ancient prestige of the Occidental by allowing China to realize her strength.
>
> The Japanese "open door" policy for foreign trade is well known. It is a one-way door—all coming in and none going out.
>
> Let Mr. Heath ponder the fact that while old China may have needed a lesson, it was neither Japan's place nor her duty to attempt to teach China that lesson. The daughter should not attempt to admonish the mother. In fact, the very Shanghai and Manchurian incidents Mr. Heath praises so highly are due to strike at the roots of the Occidental power in the Orient.
>
> D. L. ANDERSON.
>
> Vashon, Wash.

Japan's Invasion of Jehol---Will China Fight---And in What Manner?

WHILE the newspapers of both China and Japan have forecasted the Japanese invasion of Jehol province for many months, the Sino-Japanese situation in that area now seems to be approaching an actual crisis. Reports from both foreign and Chinese sources indicate an increasing tenseness along the Jehol-Manchukuo border. Telegrams through *Reuters* service from Nanking, Peiping and various points in Manchuria in recent days have told of Japanese reconnaisance flights over the border areas, of movements of Chinese volunteers with the object of resisting the invasion, and finally of an important military conference in Peiping supposedly for the purpose of working out plans of resistance. It was claimed that the evacuation of Gen. Su Ping-wen from the western branch of the Chinese Eastern Railway and the Japanese occupation of that area has released large numbers of Japanese troops for the Jehol campaign. One report alleged the Japanese 6th and 8th divisions, together with Manchukuo troops are moving toward the Jehol frontier; that the Japanese invasion will follow two possible routes, one by way of Chifeng from the northeast and the other from the south by way of Chaoyang with Chenteh, capital of the province as the objective. A further report from Harbin claimed that certain Chinese volunteer units, previously active in that district are now moving toward Jehol in the rear of the Japanese troops. Chinese reports through the official *Kuomin* service claimed the Japanese are massing troops along the southern border of Jehol and that Tang Yu-lin, governor of Jehol has been sending appeals to Peiping and Nanking for help.

The Chinese newspapers in their editorial comment on the breakdown of the Manchurian discussions at Geneva almost unanimously agree that Japan's next move will be into Jehol province, the supreme Japanese objective being the expansion of Manchukuo territory to the Great Wall and the creation of a new Chinese administration in Peiping that would be more

favorable to Japan's activities in Manchuria than has been the case in the past. Some Chinese reports have it that Japan's final objective is to restore the Manchu monarchy not only in Manchuria, but in Peiping as well with Henry Pu-Yi as emperor on the old Dragon Throne. It is contended that the recent visits to Peiping of such high Japanese officers are Gen. Banzai, former military adviser to the old Peking government, have not been without purpose; that these Japanese military visitors have long been intriguing with reactionary interests in the north with the object of ousting Marshal Chang Hsueh-liang and eliminating Nanking influence in that area.

The *Ta Kung Pao*, leading newspaper in Tientsin, on Dec. 20 declared that conciliation between China and Japan is now impossible. Japan definitely intends to uphold Manchukuo at all costs, while China never will negotiate with Japan so long as Japan supports the Manchurian puppet state. This means China and Japan will remain permanent enemies and China's enmity against the Island Empire will continue for generations. The Japanese militarists apparently have decided to go to extremes and restore Henry Pu-Yi to the monarchical throne, following which the puppet organization in Manchuria will invade China proper and seek to overthrow the present government. The Peiping *Morning Post*, in an editorial, also on Dec. 20, urged the Chinese people to prepare for war which is becoming more and more inevitable. Dr. H. H. Kung, former Minister of Industries, who is now visiting in the United States declared recently in an interview with correspondents in Washington, D.C. that war between China and Japan would become an active possibility in the event of a breakdown of the Geneva negotiations. Gen. Li Chi-sen, Cantonese director-general of military instruction at Nanking in a recent article published in *The China Press* declared, "No emperor will ever again be acknowledged as leader by modern Chinese and no purely submissive policy should ever again govern our political dealings with other nations....Positive resistance against the Japanese invasion of Manchuria is the only logical idea which modern Chinese should be able to conceive....As far as I can see there is only one way of obtaining real collaboration from the League and the United States and only one way of re-establishing friendly relations between China and Japan, and that one way can be summed up in one word, RESISTANCE."

Nanking's actual policy decided upon at the recent meeting of the Kuomintang Central Executive Committee, has, for obvious reason been kept secret, but a proposal was introduced on Dec. 16 providing for the concentration of troops along the Jehol-Manchurian border for protection against an invasion of that province or for use, should the opportunity develop, for the recovery of the northeastern provinces. The resolution also provided for the Government to assume direct and full responsibility for the anti-Japanese boycott and also for the support of the Chinese volunteers operating against the Japanese in Manchuria. Whether this resolution was passed is not known, but it is obvious that the question of China's future policy did receive full attention. What that policy will be cannot be stated, but it seems obvious that most Chinese in official as well as civil life have made up their minds that China must fight her own battles and cease depending on outside nations for help. The Peiping *Morning Post*, in reference to this subject declared, "The Manchurian affair has brought the world nearer to the second great war, which will be fought in the Far East. It is imperative that the Chinese Government should make immediate preparations for the big fight, at least from the standpoint of self-defence."

On Dec. 2 the official *Kuomin* news agency issued a report from Nanking stating that leading strategists and experts in various fields had been invited by the Military Affairs Commission to become members of the National Defence Planning Committee, which was headed by Gen. Huang Fu. The Committee has fifty members and forty experts. Of more importance, however, was a series of articles on the question of military defence against Japan in north China which were contributed to *The People's Tribune* by Dr. V. K. Ting, head of the Chinese Geological Survey, portions of which are reproduced herewith,

> Let me first expound a definite scheme for resistance to Japan. We must see at the outset that the moment an attack is being made on Jehol, it will become quite out of the question to hold Peiping and Tientsin. For, to consider land operations only, our first line of defence is Shanhaikuan, our second is the Luan river. But Chinwangtao is in the rear of Shanhaikuan, and Tientsin in the rear of the Luan. The Japanese can at any time land forces at either of these two places, and the landing would be ten times easier than at the river behind Shanghai. In these circumstances, by reason of the geographical position, no force however strong and well equipped could hold out for long. And the more so in the actual case, from Shanhaikuan to Peiping and Tientsin being an open plain over which the Japanese can use their aircraft, tanks and heavy artillery, a country more unfavorable even than Chapei or Kiangwan, where creeks, ditches and paddies interfered with the operation of the Japanese tanks.
>
> No, we should by no means expect resistance to the Japanese to take the form of large-scale fighting or a prolonged defensive between Shanhaikuan and Tientsin, but merely that in that region a certain sacrifice should be made, and the Japanese compelled to pay a reasonably high price, for Peiping and Tientsin, by way of maintaining our dignity as a nation. For we should clearly understand that Japan's objective is, not Peiping and Tientsin, but Jehol, wherefore it is in Jehol that we must make our real defence and there that we must prepare for a long struggle. That is because once Jehol fell to Japan it would never be recovered, whereas in the case of Peiping and Tientsin the day of their eventual recovery would be bound to come. If I were Chang Hsueh-Liang and about to make preparations for opposing the Japanese, as a first step I would remove my headquarters to Kalgan, and at the same time proceed with the gradual accumulation north of Chuyungkuan of vital military supplies as well as of rolling stock from the Peiping-Liaoning Railway. I should leave merely a limited body of troops to defend Shanhaikuan, Chinwangtao, Lanchow, Tientsin etc., who would, after putting up a reasonable resistance at these places, make their retreat outside the Wall by way of Lengkou, Hsifengkou, and Kupeikou respectively. The troops at present garrisoning the frontier of Jehol should without delay be moved on to Chaoyang and immediate measures should be taken to establish lines of communication between Chaoyang, Lingyuan, Pingchuan and the city of Jehol. The entire east and south of Jehol province are mountainous and, not only could the

Japanese not use etheir tanks or heavy artillery there, but even aeroplanes would operate only with some danger to themselves. Hsifengkou, Kupeikou, and Nankou, are natural defences at each of which, if held by ten or twenty thousand men, the Japanese would require to have more than twice that number before they could make an effective attack. If only Jehol can be held, we are prepared to sacrifice Peiping and Tientsin, and given due preparation and desperate determination on the part of those in control, the holding of Jehol is certainly possible.

If it be asked why the Headquarters should be at Kalgan, I reply that it is because, once Peiping and Tientsin have been abandoned, the armies operating in Jehol and Chahar would be cut off from the central base, and would have to look to Shansi for all necessary supplies. Kalgan is only a few hours by train from Tatung, whence there is a motor road by which Taiyuan can be reached in a day; at Taiyuan there is a more or less modern-style arsenal from which the front could be kept supplied with munitions. That is how Kalgan comes to be the best place for General Headquarters.

The next step would be as regards military funds. This question is what has led up to the present dispute between the Central Government and the local authorities here. Now, just how many men Chang Hsueh-liang has under his command, and just how much money would be required if hostilities are engaged in, are questions concerning which the writer does not possess definite information. According to figures published in the Japanese press, Chang has, exclusive of Jehol, altogether 150,000 rifles. I understand that the amount of money issued monthly in Peiping as military expenses is $4,100,000. When the 19th Army, totalling 30,000 men, (which does not include the 88th or 87th Divisions), was engaged in military operations at Shanghai, the Central Government was issuing monthly $500,000 for its expenses. Taking these figures as a standard for comparison $4,100,000 a month for the upkeep of 150,000 men is already a great deal. Again, according to the report of the Minister of Military Administration, Ho Ying-Chin, the Government forces operating against the Communists, exclusive of carriers and coolies totalled 600,000 men, and an additional $3,000,000 monthly was spent by reason of their being on active service. Reckoning on the analogy of this, we may estimate that 150,000 men would require an active service increment of $750,000. It would thus appear that the requirements would not really amount to as much as was stated by Wang Ching-Wei in his telegram. However, as we have seen no authoritative statements, we cannot be sure whether or not the above figures correspond with the facts. If I were Chang Hsueh-Liang, I should certainly request the Central Government both to send representatives to check up the numbers of men, as well as the rifles and military supplies, belonging to my forces, and to take over all the revenue-collecting organs in north China. In time of hostilities, military expenses, ammunition, and all other necessities, should then be furnished by the Central Government on the most liberal scale to which the national forces are entitled—the same as was done in the case of the 19th Army when that force was fighting at Shanghai. If Chang Hsueh-Liang were really in earnest in his intention to resist the Japanese, he would find the action here recommended in no way to his disadvantage, for no sooner would such resistance have actually begun than it would become quite out of the question to retain the Peiping-Tientsin region, or Hopei, as his field of influence. When he eventually withdraws to Jehol and Chahar, he will have to depend upon the Central Government to supply him with funds, and it will be an opportunity for him to set a good example for other armies to follow. He need have no fear lest the Government be not forthcoming with pay when it is due; let him but show self-denying determination against the Japanese, and the whole country will rally to his support. No matter who the personnel of the Government may be, they could not dare to fail him.

Japanese to Enter Jehol in Spring?

A *Rengo* report from Tokyo on Dec. 28 stated the Japanese will begin drastic military action with the object of sweeping the Chinese volunteers and bandits from Jehol early next spring. The Japanese report referred to the action of the Kuomintang Central Executive Committee at Nanking in passing a resolution for the recovery of Manchuria.

Japanese Use Threatening Tactics in Jehol Area

Recent news reports from Jehol state that the Japanese units along the Chinchow-Chaoyang branch railway have been firing from their armored trains towards the neighboring villages of Nanling during past few two days. Simultaneously, Japanese airplanes have dropped bombs and opened fire with machine-guns from the air. Volunteers recently clashed with the Japanese Yokota detachment at Chienchiatien station, on the Cheng-chiatun-Tungliao branch of the Ssupingkai-Taonan Railway. It is reported that the families of the Japanese military officers and the Japanese residents at Chinchow are moving to Shenyang. Several trains are standing by at the station for purposes of troop transportation. Chinchow is being garrisoned by one Japanese infantry and one artillery regiment. Nine airplanes are concentrated at the airdrome there.

The Japanese Kwantung Garrison Headquarters have summoned the 6th (Kumamoto) Division from Japan as reinforcements.

Young Marshal Reported to Be Massing Troops in North for Big Offensive

Recent Japanese messages from Manchuria report that Marshal Chang Hsueh-liang is preparing for a big offensive along the Mukden-Shanhaikwan railway against the Japanese and orders have been issued to General Wang Yi-tieh to hurry preparations as trouble is expected shortly along the Jehol-Chinsi border. The Japanese are preparing for any sudden outbreak of hostilities in that section, but the reforming of volunteer troops along the Chinese Eastern Railway is giving the Japanese military authorities some concern. Count Uchida, Japanese Foreign Minister, has warned the Japanese delegates at Geneva against being too optimistic regarding an early settlement of the dispute

Volunteer Guerillas Active Near Ningnien

Chinese messages from Peiping state the volunteers are actively engaged in guerilla warfare against the Japanese between Ningnien and Taian stations, along the Tsitsihar-Keshan Railway, notwithstanding the retreat of the Heilungkiang National Salvation Army under General Su Ping-wen. The Kirin National Salvation Army under General Wang Te-lin has repulsed the Japanese near Wuchuho on the eastern section of the Chinese Eastern Railway. It is reported that owing to their heavy weight, a number of Japanese armored cars, tanks and field guns were submerged in an ice-field at Chuho. Three Japanese soldiers are stated to have been drowned.

Volunteers Counter Attack in Triangular Area

Hsiuyuen, about the centre of the triangular area bounded by the Mukden-Dairen and Mukden-Antung Lines, was the scene of a fierce engagement between the combined Japanese and Manchukuo troops and the Volunteers Dec. 23 as the result of the latter's attempt to recapture the town.

Owing to the gradual increase in the number of irregulars, the Kumazaki Detachment, who are defending the town of Hsiuyuen, at last reports were said to be virtually surrounded by the Volunteers.

"Bandits" in South Manchuria Put Up Strong Resistance Against Japanese

The main force of the Japanese Anshan Detachment on December 17 clashed with some 1,000 "well trained bandits" in the vicinity of Huanghuatien, in the District of Fengwangcheng.

In order to cut off their retreat, the Nakajima Detachment at Fengwangcheng was despatched to the scene of fighting. The Japanese version of the incident is that the bandits are staging a desperate resistance against the Japanese.

According to a communique issued by the Headquarters of the Kwantung Army recently the "bandit" groups opposing the Nagaoka detachment in the neighborhood of Huanghuatien number over 7,000, far more than was at first supposed. The Japanese troops, with the help of military planes, attacked the "bandits" early in the morning of Dec. 18.

Tsintutse Captured by Volunteer Troops

According to information from Japanese sources received at Harbin Dec. 16 a force of 600 anti-Manchukuo troops end of last week proceeded from Tungkiang towards Fuchin with the object of attacking the Manchukuo and Japanese garrison there. On Dec 15. 300 anti-Manchukuo troops from Suping on the left bank of the Sungari River opposite Fuchin, attacked the east gate of the city which was manned by Manchukuo forces and pursued them northwards. In this skirmish several Manchukuo soldiers were seriously wounded and five of the anti-Manchukuo troops were killed.

Volunteers captured Tsintutse, an important point city along the Yinkow-Koupangtse Railway in western Liaoning Dec 15. The Japanese forces holding the town retreated after severe fighting in which the railway station was destroyed.

General Li Tu Asks for Postal Men

A request for the immediate despatch of two or three members of the Chinese postal staff to Kirin for the organization of postal facilities in the areas under his control was made by General Li Tu, Assistant Defence Commissioner for the Northeast Border, in an urgent telegram to Huang Nai-shu, Director-General of Posts. Dec. 24. General Li declared that his efforts at organizing a military postal service in areas under his jurisdiction have been handicapped by the lack of experienced men. He therefore asked for the dispatch of two or three members of the postal staff, preferably Chin Shih-chi, of the Harbin Administration Office, who assisted his troops during their entry into Harbin some months ago.

Panchen Lama Becomes Special Pacification Commissioner

The Panchen Lama (Living Buddha of Tibet) was formally inducted into office at Nanking as the Special Pacification Commissioner for the Western Border, the inaugural ceremony being held in the auditorium of the National Government Headquarters. Lin Sen, President of the National Government, presided, and handed the seal of office to the Panchen Lama, while Chang Chi administered the oath on behalf of the Central Party Authorities.

In the course of his speech of admonition, Chang Chi said that one of the most important means of saving the present national crisis lies is uniting together the various races composing the Chinese nation and presenting a united front against the aggressors. The Panchen Lama, Mr. Chang pointed out, is reverenced not only by the people of Mongolia and Tibet but by the nation in general. He expressed confidence that the Living Buddha will live up to the hopes of the people and render assistance towards the salvation of the nation,

In a brief speech, President Lin deplored the gulf which seems to have separated the Government and the people in the Western border regions. He expressed the hope that the Panchen Lama will spread the teachings of Dr. Sun yat-sen and thereby promote political progress.

Replying, the Panchen Lama said that he would exert his utmost to fulfill and carry out the important mission with which the Government has charged him. He hoped that under the omnipotent power of Buddha, in which he has implicit faith, he would be able to contribute towards the salvation of the present crisis.

Ho Chien Opposes Opening of Soviet Consulate at Changsha

General Ho Chien, Chairman of Hunan, is stated to be opposing the re-opening of the Soviet consulate at Changsha, the Provincial Capital. He telegraphed to the Ministry of Foreign Affairs saying that although he once expressed himself as being opposed to the resumption of diplomatic relations with Soviet Russia he now has no objection to the policy of the Government which recently culminated in the restoration of consular and diplomatic relations between the two countries, but in view of their past sufferings at the hands of the Communists, the people of Hunan feel considerable alarm at the news that China has re-established normal relations. General Ho goes on to say that there have never been any Russian merchants in Hunan but at the time when the Kuomintang still tolerated communists a Russian consulate was established at Changsha for the dissemination of communist propaganda. "As the anti-Communist campaign is still in progress, I hope that your ministry will not permit the re-opening of the Changsha Soviet consulate," General Ho concluded.

Gen. Han Fu-chu Proceeds to Peking

General Hah Fu-chu, Chairman of the Shantung Provincial Government, arrived at Peking from Tsinan Dec. 24, where he was welcomed by Generals Wan Fu-lin, Wang Shu-chang, Chiang Po-cheng, Pao Yu-lin and Mayor Chou Ta-wen. The Shantung Chairman announced in an interview that his mission to the former capital is to discuss with General Chang Hsueh-liang, Acting Chairman of the Peiping branch of the Military Affairs Commission, defence measures for North China and to report on the settlement of the eastern Shantung trouble. General Han called on General Chang Hsueh-liang and on General Chiang Po-cheng, member of the Standing Committee of the Peiping Branch of the Military Affairs Commission, and General Wang Shu-chang, Gendarmerie Commander of the Peiping-Tientsin Area immediately upon his arrival.

Military Conference Held in Peiping

A conferenc of military leaders in North China was commenced in Peking Dec. 27 under the chairmanship of Marshal Chang Hsueh-liang. Generals Han Fu-chu, Sung Tien-ying, Pu Tso-yi, Chu Ching-lan, Admiral Shen Kung-lieh and others took part in the deliberations. It is reported that the policy to be adopted by northern leaders *vis-a-vis* the situation in Jehol formed the central topic of discussion at the meeting. Japanese telegrams state that hurried debate on the Jehol question by northern leaders has been prompted by the desire of Marshal Chang and his followers to forestall any initiative gesture on the part of Nanking. On the other hand, the readiness of General Han Fu-chu and other 'opportunist' Generals to participate in the Jehol question discussion is interpreted by the Japanese as their desire to distract the attention of Marshal Chang and his followers from the situation in Shantung.

Reported Clash Between Jehol and Manchukuo Troops

A Japanese telegram from Tientsin, Dec. 27, quoted Chinese reports that the native troops in the district around Chaoyang on the of Jehol border had again become active against the provincial army under General Tang yu-lin, and therefore Gen. Tang had despatched his troops towards Chaoyang and Peipiao in order to subjugate them. In view of the existing tense situation on the border of Jehol Province, this movement of General Tang's troops is being watched with keen attention. Chinese circles in Tientsin report that General Tang's Jehol army and Manchukuo troops have already clashed in the vicinity of Chaoyang.

General Muto Presents Credentials

General Nobuyoshi Muto, "first ambassador to Manchoukuo," presented his credentials to the Chief Executive at Changchun December 23, in the same room where the Japan-Manchoukuo Protocol was signed in September.

Japanese Version of Shanhaikuan Armored Train Incident

Recent Japanese telegrams, dealing with the incident at Shanhaikuan on Dec. 8 when a Japanese armored train entered that city, concerning which Dr. Lo Wen-kan, Foreign Minister of the National Government, has filed a protest with Mr. Ariyoshi, Japanese Minister to China, claiming that the Japanese armored train entered Shanhaikuan railway station and fired upon the Chinese troops without provocation, state that trains with armored vans carrying Japanese troops, engaged in the duty of protecting of passengers and freight trains of the Fengtien-Shanhaikuan Railway line, have so far repeatedly secured replenishment of coal and water supplies at Shanhaikuan station without any hitch or trouble and that the recent entry into Shanhaikuan station of the said Japanese armored train was made in conformity with past practices. The Japanese claim that such being case, it must be taken for granted that the "unlawful firing by the Chinese troops on the night of December 8 is entirely due to the former's misunderstanding."

Chinese Telegraph Instrument Plant to Be Enlarged

The plant for the manufacture of telegraph instruments, established by the Ministry of Communications at Shanghai, will be enlarged to include the manufacture of telephone apparatus and instruments, the Ministry announces. In view of the fact that such apparatus is being obtained from abroad at exceedingly high prices owing to the unfavorable rates of exchange, the Ministry has decided to manufacture many things in China which were formerly purchased abroad.

Japanese Diet Assembles---Confronted with a Two Million Yen Budget

THE Japanese Diet formally assembled for the beginning of the sixty-fourth session at Tokyo on December 26, when Emperor Hirohito was present in person. There is every indication that the session will be a stormy one and that the Saito Cabinet will have to fight for its life in view of the opposition shown by the Seiyukai and the Minseito, not to mention the opposition manifested by some quarters in the House of Peers as well. The meetings this month, it is to be noted, are only of a formal character. The Diet will not get down to serious business until sometime after the New Year. The strength of the parties in the new Diet is: Seiyukai, 299; Minseito, 117; National League, 33; Independents, 10.

There is much speculation in Japanese political circles as to how the Saito Cabinet will weather the storm. The general consensus of opinion is that it will probably survive the present session of the Diet, although it may find it advisable to resign after the close of the legislature. It is not thought likely that the Seiyukai will introduce a vote of non-confidence during the Diet session. As for the attitude of the Government, it is believed that Premier Saito will do his best to avoid a clash with the Seiyukai by withholding all parliamentary bills likely to provoke the opposition or resentment of the largest party in the Lower House, his main object being to enact the budget for 1933-34 and those projects closely connected with it.

A recent *Reuter* message from Tokyo stated that the War Minister, Lieutenant-General Araki and the Navy Minister, Admiral Okada, are urging the Premier to have the budget passed by the Diet by all means; hence the belief that the Premier will not undertake to dissolve the Diet pending the passage of the Budget. The Diet will be forced to adopt a budget totalling more than two billion yen—described as "a stupendous sum for a country as poor as Japan is now"—and pass such other legislation as may be demanded by the dominant groups in national life supported by the Army. Interpellations, particularly regarding the situation in Manchuria, will be confined largely to innocuous questions as the military are not inclined to tolerate any "impudence" from a parliamentary system for which they frankly have little respect.

According to decisions made at the meeting of the Japanese Cabinet on December 17, the estimated bond issue in 1933-4 will reach Yen 989,120,000, not including the bonds to be delivered by the Government in lieu of cash. The details of the bonds are approximately as fellows:

Ordinary Account: Yen 896,403,257.
Telephone enterprises, Yen 13,280,000.
Earthquake aftermath, Yen 18,783,287.
Highway building and repairing Yen 16,676,966.
Telegraph enterprises, Yen 700,000.
Manchuria enterprises, Yen 186,312,342.
To cover the deficit of revenue, Yen 660,650,652.
Extraordinary Accounts: 92,726,643.
The Chosen Government enterprises, Yen 33,000,000 (including Yen 1,274,578 for Manchurian enterprises).
The Taiwan Government enterprises, Yen 5,000,000.
The Kuantung Government (of the leased territory of Kuantung) enterprises, Yen 3,226,643.
The Karafuto Government enterprises, Yen 3,500,000.
Imperial Railway, Yen 48,000,000.

Finance Ministry officials, a recent *United Press* message stated, have decided to organize a commission to appraise holdings of bonds, debentures and foreign exchange in Japan in accordance with Article III of the Law to Prevent Export of Capital. The commission would be authorized to appraise such holdings and to designate the person or institution to which they were to be sold. The Finance Minister would be chairman and the members would include officials of the Ministries of Finance and Commerce and Industry of the Bank of Japan and of the Yokohama Specie Bank. According to a spokesman for the Finance Ministry, the decision to establish the commission has no connection whatever with the plan to relieve the power companies which have borrowed abroad. The commission is merely being set up in case its services are ever needed in the future.

The Seiyukai party on Dec. 23 drew up a platform to which all its members are supposed to adhere during the session of the Diet. The first consideration must be given to agricultural relief, according to this platform. The party advocated simpler methods of making loans to farmers, an extension of credits and lower rates of interest. The party would have the Government extend the agricultural loans. Stabilization of foreign exchange is urged by the Seiyukai along with a protest against shipping Japanese produced gold to foreign nations. This is considered improper procedure in view of the fact that there is an embargo on the shipment of gold. The Japanese Government has been buying up this gold and shipping it to the United States. Stronger Government supervision of the silk industry and the improvement of the silkworm stock by the sericulture bureau is advocated by the Seiyukai, which urges that a Government sales organisation should supervise sale of raw silk abroad and silk should be handled under a single sales organisation similar to that established in Cuba to handle sugar. A common currency system for Japan and Manchukuo is also advocated. The Seiyukai feels that greater assistance should be given Manchukuo in establishing industries and that emigration to Manchuria should be encouraged by the Government. The Seiyukai platform incidentally approves of vigorous methods of establishing and maintaining peace in Manchuria.

Much argument is expected to develop on next year's estimates, chiefly on questions relating to Relief Measures, the loan policy and financial schemes. Two bills have been drafted by the Department of Agriculture and Forestry with the object of giving relief to the deplorable plight of Japanese farmers, one relating to the readjustment of liabilities, and the other allowing mortgages on personal estate. Despite the enthusiasm shown by the Department over the pro-

posals, well-informed circles expect difficulties in the Diet, as the readjustment of farm liabilities by the Government would naturally bring up the question of financial resources, and here opposition by the Finance Ministry is probable, while the second proposal has many defects from a legislative as well as a practical standpoint.

Recent messages from Tokyo state that owing to the growing tide of hostility in Japan towards the existing political parties, a large number of political organizations, fascist in outlook, have sprung into existence in recent months. Of these, the most important is headed by Kenzo Adachi, a former Minister for Home Affairs, who seceded from the Minseito Party to establish one of his own. As a preliminary measure he established the National Policy Research Club, his principal lieutenant (as described in a *Reuter* despatch) being Seigo Nakano, who is stated to possess great personality and powers of leadership. Their platform upholds the present parliamentary system but announces an intention to purge politics of present malpractices. Their activities have met with great success and on Dec. 22 about 8,000 delegates drawn from all parts of the Empire, assembled in Hibiya Park Hall, Tokyo, to form the National League (Kokumin Domei) as the new party is called. The salient features in the platform are a Far Eastern Monroe Doctrine and an economic bloc between Japan and Manchukuo. The Party also aims at far-reaching reforms in taxation, finance, education, diplomacy and other matters. Being a Fascist organization, the members of the National League are wearing black shirts as part of their uniform.

In connection with the proposal of the South Manchuria Railway to greatly increase its capital during the coming year, a recent article in the *Osaka Manichi* pointed out that the Company is faced with the necessity of consolidating its subsidiaries, settling the problem of the exportation of Fushun coal to Japan for next year, and inaugurating the sulphate of ammonia industry. Regarding the coal problem the S.M.R. intends to send Fushun coal to the extent of 1,800,000 tons to Japan this year, and negotiations with the Japan Coal Dealers Association to that end are now in progress. The company has some 60 subsidiaries, all of which, according to Vice-Governor Hatta of the S.M.R. will be opened to capitalists in Japan Proper seeking suitable investment. The Company will, however, retain its hold on the Dairen Kisen Kaisha and the electric and gas business.

The Japanese Government end of last week shipped 13,500,000 yen worth of gold to America. This last shipment has brought the total shipments of gold to America since the re-imposition of the gold embargo to about 74,000,000 yen.

For the first time in the history of Japan, a Korean has been made an imperial nominated member of the House of Peers. The appointment was officially published in the official *Gazette* end of last week. The Korean thus honored is Marquis Boku Ei-ko, Vice-President of the Privy Council of the Government-General of Korea. Two other new imperial nominee members of the House of Peers are Zenzaburo Shibata, Chief Secretary of the Cabinet, and Hideo Kuroda, Vice-Minister for Finance.

"Japan Will Use Force to Prevent Sovietization of China"---Yosuke Matsuoka

JAPAN'S chief object in supporting the puppet state of Manchukuo is to prevent the sovietization of that area and should Russia again "happen" to be behind a movement for the sovietization of China, Japan would consider it her duty to ask Russia to withdraw her hand. This was the essence of a declaration made by Yosuke Matsuoka, Japan's chief delegate to the League in an interview with American and European correspondents at the Hotel Metropole in Geneva on Dec. 14. The interview took place at a tea party given by the Geneva correspondent of the *Osaka Mainichi* and in addition to the Japanese present the function was also attended by the Geneva correspondents of the New York *Herald-Tribune, Manchester Guardian,* London *News-Chronicle, United Press,* and Paris *La Matin.*

Prior to Mr. Matsuoka's discussion of the possible sovietization of China which was occasioned by China's recent decision to renew diplomatic relations with Russia, one of the European correspondents asked the Japanese chief delegate why Japan preferred the Manchu Henry Pu-Yi to Marshal Chang Hsueh-liang as the ruler of Manchuria. Mr. Matsuoka prefaced his reply to this question by stating he knew Marshal Chang "very well," and considered him tactful and courageous. "But Marshal Chang is the son of a notorious Manchurian bandit and stands against Japan from the standpoint of his domestic administration. Henry Pu-Yi, on the other hand has in his veins the blood of the Manchus, hence to the Manchurians there is no other legitimate and appropriate ruler than Pu-Yi." The correspondent for the *Manchester Guardian* then brought up the matter of Japan's relations with Russia, stating that the resumption of relations between China and the Soviets had caused discussion in all circles. Mr. Matsuoka replied to this question to the following general effect,

> "The Soviet Government is carrying on its reconstruction with the so-called Five-Year Plan, including armaments and heavy industries. Russia's unconditional resumption of relations with China will naturally make red propaganda in China much easier than in the past. By calling attention to this possibility, I am not necessarily trying to hold Soviet Russia responsible, even if China may be sovietized in the future. But I would like to have it clearly understood that Japan does not want to see China sovietized. Should, for instance, Soviet Russia happen again to be behind China at that time, Japan of course, would ask her to withdraw her hand. This does not necessarily imply war. I wish to do everything possible if such

end can be attained through peaceful diplomatic negotiations.

"Taking advantage of this opportunity, I would like to ask the gentlemen of Britain, the United States and France, if your nations are prepared to dispatch troops in case the Yangtsze district falls into the hands of the red army?"

The correspondent for the *Manchester Guardian*, Mr. Dell, replied, "Britain is not likely to send her troops."

Mr. Matsuoka then continued, "I want you to understand that one of the chief reasons why Japan is supporting Manchukuo lies in that very fact....Soviet Russia has already sovietized Outer Mongolia. Although entirely different from this subject, Tibet is making a westward advance to the Tibet-Chinese border. The League, however, stands as if unmindful of these situations. I therefore find it very difficult to understand why the League tries to interfere with the Japanese policy in the Far Eastern question when Japan is endeavoring to prevent sovietization of the Orient."

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That China's decision to resume relations with Russia continues to be an absorbing subject of discussion is indicated in the news reports from practically all quarters of the world. Also, it has had the effect of concentrating attention again on the matter of America's relations with the Soviets. Hollington K. Tong, managing director of *The China Press* in a signed article in his paper on Dec. 24 declared, "It is never difficult to find factors of grand strategy and other military considerations cropping out in relations between nations. The comparative isolation of both the American and Russian governments in their foreign relations as well as their sharply clashing interests in the Far East in opposition to the Japanese naturally impels the two countries to adjust their differences of viewpoint in a manner acceptable to both. A rapprochement between the Soviets and the United States, particularly if pushed zealously, would be for the interests of both in their international dealings generally. And in particular it would entirely change the aspect of the strategic situation for militaristic Japan." Mr. Tong naturally regarded the question of Russian-American relations from its possible effects upon the welfare of his own country in its present struggle with Japan. It is therefore interesting to note in a *United Press* report from Washington (Dec. 14) that Senator Wm. E. Borah, chairman of the Foreign relations Committee, has a somewhat similar view. "The prevailing economic situation and the prospects of quieting Far Eastern disputes will be important factors in considering the recognition problem... ...Congress must seek wider markets for American goods and American recognition of Russia would have a tendency to quiet the trouble in the Orient. If the United States could discuss the Manchurian problem with Soviet Russia, there would be a greater possibility of reaching a practical settlement....Also, the bearing of such a move on the part of the United States on the disarmament problem should not be overlooked. I am inclined to agree with M. Maxim Litvinoff, Russian Commissar for Foreign Affairs, that disarmament is possible only when all the nations are in agreement on other questions."

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Senator Borah's reference to Russia in connection with the disarmament question was of special interest in view of a recent discussion of this matter in *Pravda*, official organ of the Communist Party. Declared the Soviet organ, "Japan's aim in her disarmament plan is to disarm her principlal naval rivals and strengthen her own navy. In all its points the Japanese plan is directed against the United States. Japanese imperialism regards its naval forces as a means of struggle for domination of the markets of the Western Pacific and in the Japan Sea, Yellow Sea and the south China Sea areas. The Japanese plan envisages a resolute revision of the Washington and London naval agreements in favor of Japan. The basic lines of Japanese imperialistic expansion stretch from the islands of Japan into Manchuria, China, Oceania, the Philippine Islands and, partly, India. By its naval disarmament plan, Japanese imperialism shows that it seeks to create such a strategic situation in the Pacific as will preclued the possibility of any serious threat to the vital centers and main highways of Japanese imperialism, and at the same time practically exclude the western area of the Pacific and adjacent seas from the radius of action of the navies of other imperialist powers, particularly the Americans."

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Mr. Matsuoka's reactions to China's resumption of relations with Russia also brought a quick response from *Izvestia*, organ of the Soviet Government. Prefacing its remarks with the statement that China's resumption of relations indicated a growing realization in the Far East of the importance of better relations with the U. S. S. R., the paper declared, "the policy pursued by the imperialists have apparently made it clear to the ruling circles in China that the absence of normal relations with the U. S. S. R. is not a pacific factor but a factor that has complicated China's international situation. The resumption of normal relations between Russia and China will undoubtedly prove a favorable factor from the viewpoint of the consolidation of peace in the Far East. From the cancellation of the unequal treaties concluded by Tzarist Russia, through the establishment of normal relations in 1924 to their restoration in 1932, despite imperialist plottings, runs the integral line of Soviet policy toward the Chinese people." The other leading Moscow paper, *Pravda*, added to the foregoing the comment, "the five years which have elapsed since the Chinese Government disrupted Sino-Soviet relations have seen the powerful growth of the U. S. S. R. Events have their logic, which in this instance has brought the Chinese ruling circles to the necessity for resuming relations." Further comment in the Moscow papers also stressed the point that China's resumption of relations indicated that the "broad masses" of China were becoming more friendly toward present-day Russia. On Dec. 25, *Pravda* declared that the international position of the U. S. S. R. "has been greatly strengthened....because the resumption of relations has been the result of the tremendous growth of sympathy for the U.S.S.R. and its policy among the broad masses of China.... Dreams of taking military jaunts on Soviet territory must be buried once and for all." The paper concluded its comment, however, by declaring that the resumption of relations with China "in no way

means a worsening of relations with Japan, notwithstanding that the event caused an anti-Soviet move by the press of Japan."

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Any consideration of international reactions resulting from China's resumption of relations with Russia, could not be complete without a reference to British policies in the Far East, and this naturally brings America back into the picture. In this connection, Commander J. M. Kenworthy, formerly an officer in the Royal Navy and a member of the House of Commons from 1919 to 1931, made some significant statements in the course of an article which appeared in the December *Current History* under the title, "Where Britain and America Disagree." Declaring that the future peace and welfare of mankind largely depends upon the state of Anglo-American relations, Commander Kenworthy then proceeded to discuss in searching fashion some of the elements which are now disrupting Anglo-American friendship. First, he called attention to the fact that there always are two governments functioning in England, the visible and the invisible. The visible government consists of the Cabinet nominally appointed by the King and responsible to Parliament, while the invisible government functions through the civil service, the Admiralty, the permanent staff of the Foreign Office the Indian Office, Bank of England, etc. Both the Admiralty and the Foreign Office, in Commander Kenworthy's view, insist upon the maintenance of closest friendly relations with Japan. It is this influence in the British government which is responsible for the "wide divergence between British and American policy and practice in the Far East." To quote Commander Kenworthy's words, "The United States has pursued a steady policy in Asia of endeavoring to secure the open door and equal commercial rights for all nations in China and the protection of the integrity and sovereign independence of China. When American nationals and their property have been threatened by unrest and disorder in China, American armed forces, principally naval, have collaborated with the Japanese and the European powers in defending foreign rights and citizens. But the disorders in China, since the overthrow of the Manchu dynasty, have not caused American policy to swerve from its fixed bearings. This policy led directly to the Pacific Conference of 1922 and its resulting Nine-Power treaty safeguarding China's sovereignty, which was ratified by both Great Britain and Japan. The Kellogg-Briand pact for the outlawry of war as an instrument of national policy still further buttressed, in theory at any rate, China's sovereignty. Manchuria has been recognized by both Great Britain and the United States as an integral part of the Chinese Republic. Yet when the first serious test arrived, joint action between the other powers that had signed the Pacific treaty was lacking.. It is outside the scope of this article to refer to the other European signatories and the reasons for their attitude, but naturally it comes as a surprise to American opinion to find Great Britain apparently so tender to Japanese susceptibilities and so sympathetic to the Japanese policy of expansion on the mainland of Asia as to refrain from making immediate protest in the strongest possible terms."

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Discussing further the reasons for Anglo-American differences on the Far Eastern issue, Commander Kenworthy charged that had Britain joined with the United States in a strong note to Japan in September, 1931, when Mukden was seized, all subsequent trouble might well have been avoided because the Japanese military clique was not at that time in complete control of the Tokyo government. He then called attention to the fact that Britain did not move until the Japanese invaded Shanghai, which is within the so-called sphere of British commercial activities in China. "What lies at the back of this pro-Japanese policy on the part of the present British Government? inquired Commander Kenworthy and then proceeded to offer an explanation. The Anglo-Japanese Alliance was not renewed ten years ago, partly as a deliberate British policy of improving Anglo-American relations and partly to meet the wishes of Australia (and Canada) where there is much anti-Japanese feeling for reasons similar to the apprehensions felt in the state of California. But even though the Anglo-Japanese Alliance was abrogated, it has been the fixed policy of the British Foreign Office to maintain a virtual alliance with Japan and work in closest cooperation with Tokyo. The original Anglo-Japanese Alliance was entered into by a Conservative Government at the beginning of the present century....because of fear of Russia. This fear still exists. Other reasons for British sympathy for Japan are partially at least based on the fact that the British governing class, taken as a whole, is militaristic and imperialistic. So is the governing class in Japan, hence there is a natural sympathy between them so long as they do not get in each other's way. A little of apprehension of some future Russian advance toward India, either by actual invasion of territory or by the subtle but more powerful weapon of propaganda still actuates the minds of many persons of importance in British governing circles. There therefore remains something of the motive which inspired the original Anglo-Japanese Alliance. In addition to this there is the feeling in both Britain and Australia that if Japan is given a free hand in China this will relieve the pressure on other parts of the world where British interests are predominant. Furthermore, certain British commercial and financial interests are tired of the continuing disorder in China and regard the Japanese as the convenient police for the restoration of order and good government. This policy naturally overlooks the fact that once the Japanese are securely established in Asiatic territory, it becomes difficult if not impossible for other merchants to do business there. Finally Commander Kenworthy states that Japanese tactics are obviously those of delay and British policy as directed by Sir John Simon "is certainly following the weak man's road of procrastination." In conclusion, however, he declared that the British Government finally will be compelled to come out in the open because the French are cooling decidedly toward Japan and the present Asiatic policy of the British Government "is bitterly opposed by that great section of opinion in Great Britain which supports the League and the Kellogg-Briand pact and the sanctity of treaties and regards the maintenance of world peace as the

greatest British interest. This group of opinion also favors close American and British collaboration on all major questions of world policy.

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The publication in the Peiping newspapers on Dec. 20 of a dispatch by Edward Hunter, former correspondent in Manchuria for Hearst's International News Service, has served partially at least to clear up the mystery regarding the alleged Japanese massacre of 2,700 Chinese civilians, including men, women and children, near Fushun. The first news of this massacre, which allegedly occurred last September, was given out in China by the Nanking Foreign Office on Nov. 25 and stated that the Japanese troops in searching for volunteers had ordered all the inhabitants of three villages Pingtingshan, Chienchinpao and Litsekou, located about fifteen miles northeast of Fushun, to assemble in a ditch while the Japanese troops searched the towns for volunteers. To prevent the villagers from escaping the Japanese stationed machine-guns some 70-yards away. When the people became panicky the Japanese opened fire with machine-guns and finished the job with rifles and bayonets, resulting in the massacre of some 2,700 people. The Japanese immediately denied the accuracy of the report and lodged a protest with the Minister of Foreign Affairs at Nanking. China, however, insisted the report was true and claimed that ample details were available proving the charge. The publication of Mr. Hunter's dispatch in the Peiping newspapers on Dec. 20 finally caused the Japanese Legation to issue an official "explanation" of the incident, alleging that Fushun and neighboring villages "had been harboring bandits and since ordinary gunfire did not suffice to obliterate the bandits, the Japanese troops were compelled to use heavy artillery and after about a half-hour the bandits were completely crushed. The fighting occurred on Sept. 16 and a great number of houses were destroyed as a result of the fighting." The official Japanese explanation concluded with the statement that the Japanese authorities "have already given relief to the sufferers." It is interesting to note, however, that the Japanese Consulate-General in Chicago on Dec. 3 issued a quite different explanation, stating some 350 "bandits and unruly elements associated with them" were killed and the village of Chenchinpao virtually destroyed by fire. The issuance of the report by the Japanese consular officials in Chicago was due to the publication in the *Chicago Tribune* of the original report from Nanking alleging the Japanese massacre of 2,700 civilians. According to reports from foreign correspondents who were in Manchuria at the time of the incident, the Japanese military authorities completely suppressed the news about the Fushun massacre but the details were given, several weeks later, to Mr. Hunter by an American missionary who had visited the district. The reports are conflicting, some stating the number of Chinese killed did not exceed five or six hundred. Knowing that the report could not be cabled from Manchuria due to the Japanese military censorship, Mr. Hunter personally carried the report to Shanhaikwan where it was filed at the Chinese telegraph office. Whether the number of Chinese civilians killed was 350 or 2,700, the Japanese explanation does not cover up the obvious brutality of Japanese military activities in the conquest of China's Manchurian provinces. While of no direct connection with the foregoing, a *Reuter* dispatch from Tokyo on Dec. 23 disclosed some of the methods used by the Japanese war-lords in the training of soldiers which is the obvious cause of brutalities such as those mentioned in the Hunter dispatch. Gen. Araki, Minister of War, in discussing training methods used for the Manchurian troops, stated that all soldiers are subjected to what he termed "mid-winter exercises" which consist in compelling the troops to carry out marches and exercises for periods often exceeding a week. To use Gen. Araki's words, "This course consists of a week or so spent in the snow-clad hills, practicing the most strenuous forms of mountain warfare and forced marches by day and bivouacking by night on the frost-bound, wind-swept hills. In addition every officer and man, while the unit is in barracks, must attend fencing or bayonet fighting daily at 5 o'clock in the morning for a month or so during the coldest period of the year and in many units the men are forbidden even to wear their overcoats in the winter and only the scantiest of under-clothing is permitted." In conclusion Gen. Araki admitted that this strenuous exercise often results in deaths among the Japanese troops, but "it's a survival of the fittest and drastic and spartan though it may be, the beneficial results are well seen when it comes to carrying out operations in Manchuria."

Julean Arnold Addresses Chiao-Tung University Students

Julean Arnold, American Commercial Attache, made an address to the students of the Chiao-Tung University Dec. 19, in which he related some his experiences during his thirty years' service in this country.

Mr. Arnold stated that he was most deeply impressed in his travels over the country by the many evidences of constructive works which are progressing in spite of civil war and political uncertainties. Scores of cities in China, especially in Central aud South China, are being reconstructed.

Mr. Arnold further stated that he sympathized with the students of China in this trying period of transition, and he hoped that its destructive aspects were passed. He suggested that in keeping with the new spirit of construction which is spreading ever the country so substantially the students do everything possible to discourage the use of such destructive slogans as "Down with this or that" and devote their mentality and energy to constructive work.

He said a people possessing the mentality, industriousness and physical stamina of the Chinese and a country abounding in the richness of mineral, agricultural and other natural resources, combined with a great wealth in man power, can better afford to devote its energies to constructive measures, and should be able to hold its own in the world in competition with all others without having to resort to anti-foreign-commodity propaganda.

As for China's export commodities, Mr. Arnold was very emphatic in denouncing the baneful practices of unscrupulous middle-men who in asssmbling China's produce for export, indulge in adulteration and other practices which injure seriously the quality and reputation of China's commodities. It is very necessary that the standard of quality and uniformity in China's wool, cotton, silk, tung oil and other export products be elevated and placed on a sound, substantial basis in order to guarantee the future expansion of the country's exports generally. It is interesting to note that some of the items of export, of which China once enjoyed a monopoly in the world's markets, are today also a feature in China's list of imports.

Marquis Li Sentenced to Three Years' Imprisonment

Marquis Li, who was taken into custody over a month ago because of his part in the negotiations for the raising of a loan for Tls. 30,000,000 from the China Realty Company, for the China Merchants Steam Navigation Co., was sentenced to three years imprisonment and deprived of his civil rights for four years by the Nantao District Court December 27. Pending the outcome of an appeal lodged by his lawyer, Y. D. Kiang, he will remain under police surveillance at the Nantao Municipal Hospital.

Associated with Marquis Li in the loan negotiations was Chen Fu-moh, until recently Vice Minister of Communications, for whom also a warrant has been issued, but of whom nothing has been heard for several weeks, following his flight to Hongkong. It is alleged that Marquis Li paid Mr. Chen a bribe of Tls. 700,000 to induce him to approve of the loan from the China Realty Co. Marquis Li was found guilty of signing a contract detrimental to the China Merchants Steam Navigation Co. and also malfeasance in office.

Marquis Li's defence was that, after the China Merchants was placed under government supervision, Marquis Li, as the company's general manager, was an official whose duty was only to execute orders given by Chen Fu-mo, then government supervisor, and therefore, even granted the agreements were prejudicing the company's property, it was Mr. Chen, not Marquis Li, who should assume full responsibility for the blame because the agreements were sanctioned by Mr. Chen.

As to the allegation that the rate of interest on the China Realty loans was high, the defence counsel told the Court that, as a result of careful calculations, the rate on these loans averaged only .98 per cent per month while the lowest rate of interest on loans negotiated by the Company from other sources was one per cent per month.

Government Bans C. M. S. N. Shareholders' Association

A recent Nanking dispatch stated that the National Government has ordered the Municipality of Greater Shanghai to stop the operation of the Association for Protection of Shareholders of the China Merchants' Steam Navigation Company recently organized by local shareholders of the company. It also says that the Chinese government will pay what the shipping concern owes to the Hongkong and Shanghai Banking Corporation. In this connection it is pointed out that the company's credit opened with the Hongkong & Shanghai Banking Corporation to the amount of Tls. 5,000,000, owing to its accuminated interest has in the meantime increased to over Tls. 7,373,000.

The Oldest Missionary in China Was a Schoolmate of John D. Rockefeller

(By "J.H.I." in the "Peiping Chronicle")

Mary E. Andrews, oldest living member of the American Board Mission is a fellow townsman and schoolmate of John D. Rockefeller. Miss Andrews was born in Cleveland, Ohio, December 13, 1840. Her father was a small businessman, her mother a school teacher. After graduating from the Cleveland High School Miss Andrews taught in public and private schools for seventeen years before coming to China. On arrival in Tungchow in 1868 she began the study of the language and simultaneously the teaching of girls and women in the neighborhood. She was an indefatigable worker, teaching in the Theological seminary, in Bridgman academy, and engaging in city and country evangelistic work, thus continuing until her 82nd year, when she was retired. Since that time she has made her home in the Paotingfu station of the American Board Mission.

German Engineers to Straighten Yellow River

The Chinese Government has entrusted to a group of German engineers the task of straightening out the course of the Yellow River, a recent *Havas* telegram from Berlin stated.

Plans for preventing floods in the future have been drawn up by the Institute of Hydraulic Studies of Munich and tests will be applied on technical problems on the canal which has been dug near Lake Walchen in the Bavarian Alps. This canal has been so constructed as to resemble the course of the Yellow River and the water has been filled with mud and sand to the same proportions as exist in the turgid waters of the Chinese waterway. Experiments will be conducted on various methods for dealing with the alluvial deposits which the racing waters periodically lay and which eventually divert the waters themselves into continually changing courses and river-beds.

Following the conclusion of these experiments a body of German engineers, bringing with them all the necessary technical equipment and machinery will come to China to inaugurate their work on the river itself with the ultimate aim of freeing the valley from floods and the devastation and loss of life which invariably accompany these disasters

Domestic Free Trade in Rice and Other Grains

Abolition of the Customs coastal duties on rice and other grains and the abolition by the various Provincial Governments of interdicts against the exportation of rice and other grains are provided by an important proposal adopted at the 4th general meeting of the 3rd Plenary Session of the 4th C. E. C. Dec. 21. The proposal is designed primarily to secure the free and untrammeled transportation of rice and wheat throughout the country in order to relieve the shortage of food-stuffs, on the one hand, and to enhance on the other, the market price for the rice-growers.

Ford Motor Truck Gains Popularity in Shanghai

Bills Motors (Fed. Inc., U. S. A.) report an increasing sale of Ford trucks, one of the favorite types of which is illustrated herewith. In design and construction the Ford truck is built to meet all requirements of efficient and and economical truck service. There are numerous mechanical refinements throughout the entire chassis, which provide increased economy and reliability, and set new standards of truck performance. A recent Detroit message stated that Ford sales of all units, both passenger, commercial car and truck, totaled 263,580 up to Nov. 2 as against 340,627 for its nearest competitor. In September, Ford sales of all units totaled 32,440 or 33.5 percent of all makes, as compared with 26,965, or 27.8 per cent, for its nearest competitor. Total sales of all makes were 96,943. Ford commercial car sales were 2.305 units, or 50 per cent of all makes, as against 1,861 units or 40.4 per cent, for its nearest competitor,

Production and Trade in China During the First Half of 1932

BY P. Y. HO

(Director, Bureau of Foreign Trade)

(Continued from last week)

THE PRINCIPAL ARTICLES OF IMPORT AND EXPORT

Cotton Goods—All kinds of cotton piece-goods, white, dyed, printed, etc., are grouped under this heading. Formerly, cotton goods formed a leading item in China's import trade, but since last year a considerable decrease has been recorded. This change is accounted for by the reduced importation of Japanese goods, which dominated Chinese markets until the outbreak of Sino-Japanese hostilities in Shanghai. The consequent boycott led to increasing orders and a greater turnover in British-made cotton goods than has been seen for some time, though the figures never went so high as those recorded for Japanese shipments before 1931. During and after the Shanghai "war" many Chinese cotton-cloth mills, having suffered from a tight money market in addition to a decreasing demand for their output, were forced to wind up their affairs.

However, in spite of reduced imports and decreased production at home, the prices of cotton piece goods fell considerably during the period under review, owing mainly to the poor demand throughout the country. The farmers, who constitute a very high percentage of China's population, and have been hitherto the chief consumers of native cloth have completely lost their former purchasing power, their humble reserves having been dissipated first by last year's floods and secondly by this year's "war" with Japan.

Cotton Yarn—The demand for cotton yarn was fairly good last spring, prices being relatively low as compared with the corresponding period in 1931. Toward the summer a heavy slump occurred, attributable to the general depression in trade after the Shanghai "war" and to bandit activities in the districts along the Yangtze River, coupled with a disastrous fall in the dollar-tael exchange rate and depreciated American cotton prices.

After the restoration of peace in Shanghai very few Chinese mills were able to bring about an early resumption of operations, in spite of the advantages offered by the intense boycott movement throughout China; and as a result of an insufficient supply of cotton yarn at home large orders had to be given for foreign goods, especially British, which could be obtained at comparatively low prices. The following is a comparison of figures for the first six months of the current year and of 1931:

	January-March		April-June	
	1931 (Piculs.)	1932 (Piculs.)	1931 (Piculs.)	1932 (Piculs.)
Imports	767	16,999	472	10,940
Exports	60,974	52,364	151,169	52,305

Raw Cotton—This has become China's premier import after cereals, with Shanghai and Tientsin as the two leading trading centers. During 1931 about Hk. Tls. 179,000,000 worth of foreign cotton was purchased by this country, as against an export of Hk. Tls. 26,900,000. On account of the bad crop last year the first quarter of 1932 witnessed a further decrease in export figures, the trade through Tientsin and Shanghai showing respectively a drop of 30 and 85 per cent.

Shanghai, as a center of the spinning industry, is the largest market for foreign cotton, and the following figures show the total cotton import during the first half of 1931 and 1932:

	1931 (Piculs)	1932 (Piculs)
First quarter	1,038,201	1,041,194
Second quarter	659,589	1,316,425
Total	1,697,790	2,357,619

These figures show that during the period under review, there was an increase in the import of foreign cotton of about 700,000 piculs, or approximately 39 per cent of the 1931 figure. It is very probable that cotton will again head the list in volume of imports at the end of this year.

Of the 2,350,000 piculs of cotton shipped to China during the first six months of the current year, 1,995,000 piculs came from the United States, the remainder being from India. This predominance of American cotton on Chinese markets was due partly to poor crop in India last year, and partly to the exceptionally low price of the American product, in addition to the fact that there was a general preference for the American staple among local Japanese mills as against the Chinese variety.

Rice—China would be self-supporting in the matter of rice supply but for her poor system of transportation. It is a matter of frequent occurrence that while rice is left rotting in one province, a serious famine prevails in another. The Sino-Japanese hostilities in Shanghai last spring further increased the difficulty of shipping grain to this part of China from the interior, and consequently a huge quantity had to be imported from Rangoon and Saigon.

For a number of years Japanese dealers held a supreme position in the foreign rice market in Shanghai. During the second half of 1931 some ten Chinese provinces suffered from the most disastrous inundations experienced for 60 years. Being always shrewd observers of business conditions the Japanese, realising China's need, ordered a very large quantity of rice from abroad in anticipation of the rising prices which increasingly keen demand would bring about. Contrary to expectation, however, their supplies soon became dead stock, due to the keen anti-Japanese sentiment prevailing throughout China after the Mukden "incident" of September 18, 1931, and finally, they were compelled to sell at considerably reduced prices. In the meantime, owing to the arrival of cheap American famine-relief wheat, the demand for rice in the interior was not so great as had been generally anticipated, resulting in a falling market during the present year.

The total import of foreign rice throughout the period under review was estimated at 14,453,923 piculs, worth C. G. U. 60,965,941, equivalent to Hk. Tls. 69,745,036, taking one Custom Gold Unit as equal to 1.144 Haikwan Taels. This adverse state of affairs may be partially explained by the exodus from all parts of China to Shanghai, where supplies of home grain were insufficient to meet the increased demand.

Sugar—China is not a sugar manufacturing country, though sugar-cane is extensively cultivated in such provinces as Shantung, Kwangtung, and Fukien. Large purchases are made every year of foreign sugar, especially from Java.

Sugar prices this year went up by two taels in January and February, and again by more than three taels in April, the first rise being attributable to exchange, while the latter was the result of the imposition of new tariff duties. This sharp appreciation in prices brought handsome profits to influential concerns having large stocks carried over from the previous period, but the smaller firms went into bankruptcy.

Great Britain ranks next to the Dutch East Indies as a sugar exporting country, though her shipments to China during the half-year under review registered a decrease of about 1,750,000 piculs. Japanese sugar almost entirely disappeared from the southern markets, while still holding a predominant position in the north.

Paper—Shanghai has been for many years the center of the paper industry. Following the outbreak of Sino-Japanese hostilities many factories were forced to suspend operations, and production therefore shows a decrease of no less than 80 per cent. This, coupled with the dumping of foreign paper on the market, affected the home industry most disastrously.

Wood pulp, which is the principal raw material for manufacturing paper, comes mostly from the United States, though Japanese pulp was also used to a fairly large extent before the Manchurian Incident.

Japan was for a time the largest supplier of paper, contributing 80 per cent of the total import into China —Sweden's share being 10 per cent. From September last year the use of Japanese paper in this country was negligible, and during the months of January and February this year very few reams were bought from Japan. Increased imports, however, were seen in April, May, and June, as the Japanese factories were able to sell their products at considerably reduced prices. In fact, during the second quarter, 90 per cent of the paper imports into China, aggregating C. G. U. 8,484,800, were from Japan.

Silk—Probably 1932 will prove to be the worst year on record for China's silk export, business being reduced to almost nothing. This state of affairs is due partly to the Shanghai "war," and partly to the dwindling market abroad due to the increasing popularity of rayon.

The cost of producing silk last year had been comparatively high, raw silk mortgaged to native banks commanding fairly high values. Later, in view of the weak markets abroad, producers found it unwise to redeem their mortgage, and consequently the amount of Chinese silk on the open market was considerably decreased, a very considerable quantity being held by the banks in warehouses.

Chinese silk is commonly classified into white silk of Kiangsu and Chekiang, yellow silk of Shantung and Szechwan, and grey silk of Antung, with the United States, France, Great Britain and India as the principal markets. During the first two quarters of the current year there was practically no demand from any of these countries except India, where small orders were occasionally booked for Chinese silk. Prices dropped by almost 200 taels per picul as compared with the previous year.

At the beginning of the present year practically all the Chinese silk filatures in Shanghai and many in the interior closed down. During the summer about 30 per cent resumed operations, but toward the end of June another period of suspension was caused on account of strikes. Exports to France were increased by lifting the export tariff on silk and the offer of a government subsidy to exporters, but there was no demand from America.

Prices of high grade Chinese silk rose last summer from 500 to about 650 taels per picul, but as compared with last year's quotations, were still more than 500 taels behind. The total export of silk from China during the half year under review amounted to Hk. Tls. 13,515,-715, representing a decrease of approximately 50 per cent.

Tea—The spring is a slack season for the tea trade, but this year, owing to the large amount of old stock on hand, most merchants prefered to sell at low prices, hence exports during the first quarter reached the fairly large figure of Hk. Tls. 3,508,000.

This year's tea crop was especially good, but only green leaf found a sale in foreign markets. Exports of black tea decreased almost by half as compared with last year, owing to the competition of Indian and Ceylon growers, and the high duty imposed on China tea in Great Britain, equivalent to 50 taels a picul, which is 20 taels in excess of the duty on Indian tea. The largest market for China green tea was Africa. The total export of green tea in June was 59,000 chests, as against 21,000 chests of black tea. During the second quarter a total of Hk. Tls. 7,460,000 worth of tea was exported, the aggregate export last year being Hk. Tls. 33,560,000. It is expected that this year's total will far exceed that of last year.

Tea prices in 1932 decreased by about one-third as compared with the year previous. Formerly, Great Britain and Russia were two leading markets for China tea, but they have been now almost wholly lost, the former adopting a protective tariff in favor of Empire products, while China's trade with Russia is adversely affected by the rupture of diplomatic relations between the two countries.

Eggs and Egg Products—The most active season for this trade is from March to June, while August, December, January and February are slack months, and fairly good business is done in September, October and November.

Kiangsu, Chekiang, Anhwei, Shantung, Honan and Hupeh are the greatest egg producing provinces, but this year's output has shown a considerable decrease owing to the disastrous floods in 1931. The export trade has declined owing to the heavy import duties levied by foreign countries, especially Great Britain and Germany, exports to the latter country falling by almost 60 per cent since the opening of this year. It is reported that a very high tariff will be shortly adopted in the Philippine Islands against the importation of Chinese egg products. Moreover, besides Russia, Denmark, Poland and Holland, which for many years have been rivals of China in the egg trade, Australia and Canada have now come into the field, products of the last two mentioned countries entering Great Britain free of duty.

Great Britain was the chief importer of Chinese eggs in 1931, with Germany second, and France third. There were also occasional shipments to Japan. During the first half of the present year Germany imported fewer eggs from China than France, while no export was made to Japan as a result of the Japanese occupation of Manchuria. The total value of exports to different countries was estimated at Hk. Tls. 12,530,000.

Wood Oil—This is one of China's most important exports, with Hankow as the leading trading center. Both America and Europe, especially the United States, are good markets for Chinese wood oil, the following table showing the total export and distribution during the first quarter of the present year and that of 1931:

From:	Exports to:	1931	1932
Hankow	United States	8,424 tons (short)	13,051 tons (short)
Hankow	Europe	2,187 tons (long)	2,590 tons (long)
Shanghai	United State	499 tons (short)	14 tons (short)
Shanghai	Europe	510 tons (long)	33 tons (short)

As compared with last year, trade conditions in Hankow have improved, while a marked decrease is shown in exports from Shanghai in consequence of the recent Sino-Japanese "war." The export during the second quarter was as follows:

From:	Exports to:	1931	1932
Hankow	United States	13,578	8,299
Hankow	Europe	2,916	2,280
Shanghai	United States	556	—
Shanghai	Europe	558	56

Just as in the first quarter, trade during the second quarter showed an enormous decrease as compared with the corresponding period of the previous year. The oil exported was all old stock, as the new season's oil has not yet been extracted. The yield last year in Chekiang, Szechuen and Hunan decreased by from 20 to 40 per cent. Hupeh had a fairly good year, but on account of bandit activities and difficulties of transportation, trade was seriously affected.

The following table shows the average, highest, and lowest wood oil prices in Hankow during the six months' period under review:

	Highest Price (taels per picul)	Lowest Price (taels per picul)	Average Price. (taels per picul)
January .	20.80	19.60	20.10
February.	21.60	20.20	20.70
March ...	20.40	18.30	19.20
April	18.50	17.60	18.00
May	17.70	17.00	17.35
June.....	18.50	17.20	17.70

Prices in Shanghai for wood oil are as a rule two taels higher than those ruling in Hankow. The falling prices this year are due to the general world depression and appreciation of silver quotations. The additional drop during the second quarter is attributable to the fact that prior to the outbreak of the Shanghai "war" foreign exporters, fearing a shortage of supply after the hostilities, bought so largely that no further purchases were necessary in the later period. Thus diminished demand forced down prices. The future of the trade is by no means encouraging, for at least three reasons: the gradual cultivation of tung trees in the United States, which country has hitherto consumed the greater portion of China's exported wood oil, a cheap substitute has been found in linseed oil and the increase of import duty by 10 per cent in Great Britain.

DISTRIBUTION OF EXPORTS AND IMPORTS BY COUNTRIES

In the first half of 1932 China's trade with the United States occupied the foremost position, representing 21 per cent of the country's total foreign trade in that period. Second on the list is Japan, with 10 per cent, followed by Great Britain, with 9.47 per cent. The following table shows the value of China's trade with various countries and the percentages of the total volume during the period mentioned above:—

COUNTRIES	IMPORTS C. G. U.*=Tls.*	%	EXPORTS Hk. Tls.*	%	TOTAL TRADE Hk. Tls.	%	BALANCE Hk. Tls.*
U. S. A.	142,414	162,738	26.51	28,972	9.68	191,710	20.94	— 133,766
Japan (excl. Formosa)	78,317	90,382	14.58	76,287	25.50	166,669	18.20	— 14,095
Great Britain	56,878	65,391	10.59	21,300	7.12	86,691	9.74	— 44.091
Hongkong	32,545	37,232	6.06	39,814	13.31	77,046	8.41	+ 2,582
Germany	32,581	37,428	6.07	22,796	7.62	60,224	6.58	— 14,632
British India (incl. Burma)	42,750	49,204	7.96	9,662	3.23	58,866	6.43	— 39,542
Netherlands India	28,768	32,880	5.36	3,229	1.08	36,109	3.94	— 29,651
Australia	23,504	27,341	4.38	519	0.17	27,860	3.04	— 26,822
Russia	4,004	4,598	0.75	22,791	7.62	27,389	2.99	+ 18,193
French Indo-China	22,867	26,118	4.26	1,210	0.40	27,328	2.98	— 24,908
Korea	2,638	3,014	0.49	18,768	6.27	21,782	2.38	+ 15,754
Siam	16,829	19,233	3.13	1,962	0.66	21,195	2.31	— 17,271
France	6,930	7,976	1.29	10,245	3.42	18,221	1.99	+ 2,269
Italy	6,811	7,890	1.27	2,057	0.60	9,947	1.09	— 5,833
Other countries	39,293	45,011	7.30	39,546	13.22	84,557	9.24	— 5,465
Total	537,129*	616,436*	100%	299,158*	100%	915,594*	100%	

*000's being omitted.

General aspects of China's trade with four of the countries mentioned above are dealt with briefly below.

Japan—Japan has for many years been the most important of China's coustomers, her trade with China usually representing about one-third of China's foreign commerce. Since the Manchurian incident in September last year, however, the trend of trade has been changed by the keen demand for home-made products on the part of the Chinese people and the closing of markets in the northeast. As a result, a sharp decline is seen in the balance of Sino-Japanese trade, dropping from over $100,000,000 in 1930 to about $20,000,000 in 1931 in favor of Japan, the latter being the lowest figure recorded since 1923. In addition to the causes mentioned business became more depressed in 1932 owing to the boycott of Japanese goods in Shanghai after the outbreak of "undeclared war" in that city. Taking the monthly average export and import during 1931 as 100, we have the following table showing the percentage of China's exports to and imports from Japan during the period January to June, 1932:—

	EXPORTS Hk. Tls.	%*	IMPORTS Hk. Tls.	%*	TOTAL Hk. Tls.	%*	BALANCE Hk. Tls.
January	16,233,354	78.15	8,996,940	37.20	25,230.294	56.12	+ 7,236,414
February	8,563,698	41.22	8,889,586	36.76	17,453,283	38.82	— 325,888
March	13,089,614	63.01	13,440,240	55.63	26,538,854	59.03	— 359,626
April	11,920,630	57.38	20,550,757	84.98	34,067,467	75.78	— 8,432.814
May	13,246,482	63.77	19,483,302	80.57	33,510,106	74.54	— 5,917,553
June	13,227,368	63.68	18,958,192	78.40	33,446,707	74.40	— 4,633,461
Total	76,281,146		91,339,802		170,246,812		—12,432,933

From the above table it is seen that there was a sharp decline in China's trade with Japan during the first two months, and although a revival was seen in the last three months, when compared with the corresponding months last year, the total business done was only about three-quarters of the previous total. But if the volume of trade is expressed in terms of Japanese currency, the result is different. After the embargo of gold was lifted in Japan in December, 1931, the rate of exchange experienced violent fluctuations. The highest rate in 1931 was Tls. 172.20 for 100 Yen, but a sharp drop to Tls. 107.50 was registered soon after the removal of the embargo was made known. A further drop to Tls. 99.54 was recorded in March, 1932, when the value of the yen was only 50.8 per cent of the highest rate recorded last year. The following table will show that in view of the rate of exchange Japan's trade with China was not so bad during the period under view as it appeared to be in the previous table:—

*In 1931 the monthly average of Japan's exports (excluding Formosa) to China was 20,773,216 Hk. Tls. per month, while her imports from China amounted to 24,182,210 Hk. Tls. making the total average 44,955,426 Hk. Tls. per month.

	Hk. Tls.-Yen Exchange	EXPORTS Yen	%	IMPORTS Yen	%	TOTAL Yen	%
1931							
Average	0.60	14,292,119	100.00	16,685,725	100.00	31,019,244	100.00
1932							
January	0.99	16,170,020	113.22	8,906,971	53.38	25,967,991	83.72
February	1.06	9,077,520	63.51	9,422,961	56.47	18,500.481	59.64
March	1.12	14,660,368	102.58	15,063,149	90.28	29,723,516	95.82
April	1.05	13,458,198	94.17	22,312,652	133.72	35,770,840	115.31
May	1.04	14,348,125	100.39	20,502,385	122.87	34,850,510	112.35
June	1.09	15,703,246	109.87	20,753,664	124.38	36,456,911	117.53

From the above figures it will be realised that although there has been a slump in Sino-Japanese trade, it is not so great as when the values are shown in taels. It is further to be noted that when imports are given in taels the highest average is only 87.88 per cent of the monthly average of 1931, but in the above table the imports of April, May, and June are all over the index figure. It is therefore evident that the decline of Sino-Japanese trade, as expressed in terms of Haikwan Taels in chiefly due to violent fluctuations in the rate of exchange.

The following figures show the volume of business in some important articles imported from and exported to Japan during the first and second quarters of 1932:—

	EXPORTS First Quarter Hk. Tls.	EXPORTS Second Quarter Hk. Tls.		IMPORTS First Quarter Gold Units	IMPORTS Second Quarter Gold Units
Cereals and flour	2,911,128	3,724,937	Flour, wheat	1,999,342	3,959,600
Beans and peas	6,992,650	6,087,611	Sugar	2,352,571	3,603,186
Meat	693,971	830,109	Cotton Piece-goods	7,558,043	12,788,637
Cotton	3,774,889	1,863,505	Fishery and sea products	777,474	945,171
Cotton Yarn	1,651,591	1,459,791	Iron and steel	1,151,288	2,069,852
Beancakes	6,236,183	7,835,186	Paper	1,640,147	2,055,258
Coal	3,434,191	3,719,331	Indiarubber tyres and manufactures	369,656	1,481,141

United States.—The United States always figures conspicuously in China's foreign trade, and especially during the last few years, but owing to the general economic depression, China's trade with that country is not so flourishing as it used to be. A sharp drop was seen in exports to the United States in January, 1932, being only 34.85 per cent of the monthly average of last year. Trade improved after February, but was still far from equal to last year, and a further decline was seen in June. In regard to imports the position was a little different. In January imports exceeded the monthly average of 1931 by almost 44 per cent, but dropped below the average in February, and did not become normal until May, when trade reached the mark of 118.23 per cent. In the following table is shown the value of exports and imports during the first six months of 1932 and percentages compared with the monthly average of last year taken as 100:—

	EXPORTS Hk. Tls.	%	IMPORTS Hk. Tls.	%	TOTAL Hk. Tls.	%	BALANCE Hk. Tls.
January	3,490,493	34.85	38,556,074	143.98	42,046,567	114.27	— 35,065,581
February	5,055,998	50.47	19,411,271	72.49	24,467,269	66.50	— 14,355,273
March	5,228,309	52.19	24,480,521	91.42	29,708,830	80.74	— 19,252,212
April	5,695,481	56.86	25,122,402	93.82	30,817,883	83.75	— 19,426,921
May	5,160,397	51.52	31,659,288	118.23	36,819,685	100.07	— 26,498,891
June	3,515,417	35.09	23,141,417	86.42	26,616,834	72.34	— 19,626,000
Total	28,146,095		162,370,973		190,477,068		—134,224,578

China's exports from and imports to the United States, expressed in U. S. currency, are shown in the following table, taken from a report of the U. S. Department of Commerce:—

	EXPORTS First-Half 1931	EXPORTS First-Half 1932	Less By	IMPORTS First-Half 1931	IMPORTS First-Half 1932	Less By
China	G.$36,740	G.$31,825	13%	G.$40,450	G.$15,154	63%
Hongkong	6,367	5,300	17%	3,840	2,217	42%
Dairen	1,060	656	38%	630	548	13%
Total	G.$44,167	G.$37,781	18%	G.$44,920	G.$17,919	60%
	First Half 1931			*First Half 1932*	*Less By*	
TOTAL TRADE	G.$89,087,000			G$55,700,000	37%	

The chief cause of the slump in Sino-American trade is the recent cutting off of north-eastern China from the commercial world. Exports to Manchuria from the United States fell from G.$20,000,000 in 1929 to G.$3,500,000 in 1931; exports to Dairen alone during the period under review were less than for the corresponding period in 1931 by 38 per cent. Another cause was the "undeclared war" in Shanghai, which resulted in a decrease of exports from China to the United States by 63 per cent compared with last year, while imports into China from that country also dropped to 87 per cent of their previous total. In short, the world-wide economic depression, unfavorable rates of exchange, and diminished punchasing power dealt a very severe blow to foreign trade in Chinese markets.

Wood-oil, bristles, and egg products were still the most important exports to the United States during 1932, in spite of the fact that wood-oil was exported to the extent of only 60 per cent of the value of last year, while owing to increased Customs duties and readjustment of purity standards the export of egg products was valued only at about 720,000 Hk. Tls.

Among the articles imported from the United States in the first half of 1932, cotton, flour, wheat, and kerosene were the most important items. Owing to the poor crops of Chinese cotton on the one hand and the cheapness and fine quality of American cotton on the other, this has been the most important item of China's import trade since 1931. Out of the 179,000,000 Tk. Tls. worth of cotton imported in 1931, about 62 per cent valued at 110,000,000 Hk. Tls. was from the United States.

From the rapid increase of imports of cotton into China it would seem that cotton spinning and weaving industry is growing proportionately, but such is not the fact. The reason for such large quantities of cotton being imported is that the domestic crops have been bad, and more than 50 per cent of cotton used is consumed by foreign mills in China.

The following statistics show the value of some of the more important articles figuring in Sino-American trade during the first half of 1932:—

	IMPORTS IN 1932 First Quarter C. G. U.	IMPORTS IN 1932 Second Quarter C. G. U.	EXPORTS IN 1932 First Quarter Hk. Tls.	EXPORTS IN 1932 Second Quarter Hk. Tls.
Flour, wheat	8,445,309	5,439,757		
Wheat	5,811,888	757,868		
Cotton	27,557,162	33,844,327		
Gasoline	1,266,581	1,290,620		
Tobacco leaf	6,686,243	1,941,764		
Kerosene	8,045,622	4,349,128		
Wood oil			2,440,388	2,150,645
Bristles			610,397	673,686
Egg products			180,721	547,048
Tea			266,312	124,131
Groundnuts			110,473	231,872

Great Britain.—Although world commerce is generally at very low ebb, Anglo-Chinese trade showed some development in 1932, although Great Britain comes third on the list so far as China's foreign trade is concerned. The trade done in April, May, and June this year was much larger in value than in the corresponding months of last year. This improvement in trade may be party accounted for by the opportunity for increased business given by the anti-Japanese boycott to the British cotton industry, and to Great Britain's departure from the gold standard. The volume of trade between China and Great Britain in the period under review was as follows:—

	EXPORTS		IMPORTS		TOTAL		BALANCE
	Hk. Tls.	%*	Hk. Tls.	%*	Hk. Tls.	%*	Hk. Tls.
January	2,196,802	40.85	9,188,222	91.89	11,385,024	74.04	— 6,991,420
February	2,273,381	42.28	5,915,444	59.16	8,188,825	53.26	— 3,642,068
March	2,562,530	47.66	11,013,723	110.15	13,576,253	88.30	— 8,451,193
April	2,972,213	55.27	14,378,436	143.80	17,350,649	112.80	—11,406,223
May	4,549,678	84.61	13,373,025	133.75	17,922,703	116.50	— 8,823,447
June	6,712,104	124.83	11,407,775	114.09	18,119,879	117.85	— 4,695,671
Total	21,266,708		65,276,625		86,543,333		—44,009,917

*The percentages shown are compared with the average of the twelve months of 1931 as 100.

During 1931 the value of sterling dropped very heavily, and although the fluctuations in exchange this year were not so bad, the tael rate remaining at about 1/9, the effects of exchange variation are seen in China's trade with Great Britain when the following table is compared with the one just given:—

		EXPORTS			IMPORTS			
		Hk. Tls.-£ Exchange		%	Converted	%	Total	%
1931	Average	18 7/16	£413,088	100.00	£ 767,720	100.00	£1,180,808	100.00
1932	January	25¼	231,121	55.96	966,677	125.92	1,197,798	101.44
	February	25 7/16	240,954	58.33	626,975	81.67	867,929	73.50
	March	24⅛	257,587	62.36	1,107,108	144.20	1,364,695	115.57
	April	22⅛	274,000	66.33	1,325,512	172.65	1,599,512	135.46
	May	21 15/16	415,869	100.67	1,222,378	159.22	1,638,247	138.74
	June	21 15/16	613,528	148.52	1,042,741	135.82	1,656,269	140.27

During the last few years British trade with China had experienced a severe setback, the cotton piece-goods market having been almost monopolized by the Japanese. Since the Manchurian incident in September last year foreign goods other than Japanese have been gradually taking the place of Japanese products when home-made goods are not sufficient to meet the demand. As a result trade in cotton piece-goods from Lancashire has become very active again, and China's import of cotton piece-goods from Great Britain in the second quarter of 1932 was almost double—both in value and quantity—that of the first quarter, being valued at more than 8,400,000 gold units. Similarly marked differences are also seen between imports for the first half of 1932 and 1931, the former amounting to about 292,000,000 yards and the latter to 212,000,000 yards. Imports of British machinery, iron and steel have also shown a remarkable increase.

Among exports to Great Britain from China egg products, bristles and silk still form the most important lines, in spite of the fact that egg products in the first quarter amounted to only half the amount exported in the second quarter, owing to the unfavorable season. In the following table is given the volume of trade between China and Great Britain in the period under review:—

	IMPORTS		EXPORTS	
	First Quarter Gold Unit.	Second Quarter Gold Unit.	First Quarter Hk. Tls.	Second Quarter Hk. Tls.
Cotton piece-goods	4,632,561	8,406,286	Egg products 3,166,957	6,527,496
Machinery	2,290,484	3,489,796	Bristles 322,368	386,980
Iron and steel	2,623,261	2,303,098	Wood oil 363,763	465,349
Ammonium sulphate	358,322	2,115,287	Silk, raw 301,639	382,198
Woolen piece-goods	900,104	993,434	Tea 42,520	1,634,525

Germany.—Since the resumption of commercial relations with China after the World War the development of Germany's trade with China has been so rapid that the record of no other country can compare with it. With the exception of February the monthly volume of trade between China and Germany in the first half of 1932 exceeds the monthly average of 1931. From the following table showing the volume of China's trade with Germany its steady growth will be readily seen:—

	EXPORTS		IMPORTS		TOTAL		BALANCE
	Hk. Tls.	%	Hk. Tls.	%	Hk. Tls.	%	Hk. Tls.
January	3,326,036	172.49	6,849,822	98.42	10,175,858	114.49	— 3,523,786
February	1,912,388	99.18	3,144,359	45.18	5,056,744	56.90	— 1,231,968
March	3,612,838	187.37	5,467,967	78.57	9,080,805	102.17	— 1,855,129
April	3,092,322	160.37	8,316,445	119.49	11,408,767	123.37	— 5,224,123
May	4,912,131	254.75	6,631,556	95.29	11,543,687	129.88	— 1,719,425
June	5,931,811	307.64	6,907,361	99.25	12,839,172	144.46	— 975,550
Total	22,787,526		37,317,507		60,105,033		—14,529,981

*The percentage is based on the monthly average of 1931 as 100.

It will be noted that China's exports to Germany are steadily increasing. With the exception of February (in which month the difference is only 0.82 per cent below the corresponding month last year) export business shows a consistent advance from 172.49 per cent in January to 307.64 in March. The explanation is that beans and oil were exported to Germany in tremendous quantities. In half a year 3,222,973 piculs of beans were exported, whereas in the last three or four years not more than 60,000 or 70,000 piculs of beans were exported annually. The export of bean oil has also increased from 21,000 piculs a year in 1930—the largest annual export during recent years—to 343,000 piculs in the first half of 1932. Below is a table showing the value of six most important German imports and six export lines to that country during the period under review:—

	IMPORTS.		EXPORTS.	
	First Quarter C. G. U.	Second Quarter C. G. U.	First Quarter Hk. Tls.	Second Quarter Hk. Tls.
Artificial silk	288,148	1,004,417	Beans 2,951,858	6,736,753
Machinery	1,007,722	1,982,230	Groundnuts 1,031,315	1,669,410
Iron and steel.....	971,454	1,633,850	Bean oil 6,020,278	1,723,344
Ammonium sulphate	152,103	1,535,855	Egg products 270,409	779,189
Dyes	2,730,690	1,564,765	Cereals and flour .. 272,666	475,722
Paper	1,494,989	1,581,487	Intestines 231,220	168,785

IMPORT AND EXPORT TRADE BY PORTS

With the whole world facing economic difficulties of one kind or another—over-production, under-consumption, fall in the value of silver and the uneven distribution of gold, all bringing about grave dislocation of the general economic system—it is not surprising that China should have had her full share of anxiety in this connection. In addition, she had a number of other special problems which are still calling for solution, quite apart from those which are now disorganizing the world's markets. During the first half of 1931 floods in the fertile Yangtsze Valley were disastrous to life, property, and trade, while banditry remains a constant and growing menace to commerce and industry in many parts of China, especially Kiangsu, Hunan, and Hupeh. The Sino-Japanese trouble in Manchuria last year which culminated in Japan's "undeclared war" in and around Shanghai last January, caused temporry paralysis of industry, trade, transportation, and financial activities in most parts of China, particularly in such central ports as Hankow, Kiukiang, Wuhu, Nanking, and Chinkiang. Even in the northern ports, such as Tientsin, Kiaochow, etc., business had been decreasing, while in other parts of China trade conditions were depressed. Under these circumstances trade in China during the first half of 1932 could not possibly be in a flourishing condition.

Among ports of China handling the largest share of China's total trade during the first six months of 1932 Shanghai takes first place, a total of 324,288,815 Hk. Tls. being registered, or 37.52 per cent of China's inward and outward commerce followed by Dairen with 141,394,-000 Hk. Tls., or 15.44 per cent, and Tientsin, third. The volume of trade passing through Canton and Hankow and many other ports decreased as compared with the corresponding period of 1931. The following table shows the relative shares on import and export trade handled at the various ports during the first half of 1932:

PORTS	IMPORTS C.G.U.=Hk. Tls.	IMPORTS (000's omitted)	EXPORTS Hk. Tls.	TOTAL Hk. Tls.	BALANCE	% of Total
Shanghai	246,955	283,569	59,937	343,506	—223,632	37.52
Dairen	51,796	59,812	81,582	141,394	+ 21,770	15.44
Tientsin	46,499	53,468	29,633	83,101	— 23,835	9.08
Canton	25,545	29,262	15,509	44,771	— 13,753	4.88
Hankow	11,981	13,840	15,820	29,660	— 1,980	3.24
Harbin	4,430	4,997	20,639	25,636	— 15,642	2.80
Kiaochow	24,744	28,237	15,631	43,868	— 12,606	4.79
Kiukiang	1,092	1,240	2,614	3,854	+ 1,374	0.42
Wuhu	626	715	280	995	— 435	0.11
Nanking	8,947	10,205	225	10,430	— 9,980	1.14
Chinkiang	2,947	3,369	21	3,390	— 3,348	0.37
Ningpo	4,265	4,812	219	5,031	— 4,593	0.55
Amoy	11,904	13,631	979	14,610	— 12,652	1.59
Swatow	20,484	23,505	7,043	30,548	— 16,462	3.34
Kowloon	31,160	36,162	1,003	37,165	— 35,159	4.06
Other ports	43,754	39,612	48,023	97,635	—	10.66
Total	537,129	616,436	299,158	915,594	—317,278	100

During the first six months of 1932 Shanghai led the ports of China in regard to import business, a total of 283,569,000 Hk. Tls. being handled, representing about 46 per cent of China's total imports. Dairen was the second largest gateway for foreign goods during the period, taking 59,812,000 Hk. Tls. or 9.64 per cent of the total, while Tientsin came third, with 53,168,000 Hk. Tls. or 8.66 per cent. One curious fact is that import business at Hankow, ordinarily very brisk, fell during the period under review below Kowloon, Canton, Kiaochow and Swatow, the normal volume of business is small.

In the handling of export business Dairen ranks first with a total of 81,582,000 Hk. Tls., representing over 27 per cent. of China's total exports, Shanghai coming second with 59,937,000 Hk. Tls. or 20.04 per cent of the total, while Tientsin again secures third place with 29,633,000 Hk. Tls. or 9.91 per cent. Exports from Hankow have been decreasing, this port giving priority to Harbin and Antung.

SURVEY OF PORTS

Shanghai.—During the first six months of 1931 the total trade of Shanghai amounted to 341,520,454 Hk. Tls., comprising 282,780,643 Hk. Tls. in imports and 58,739,811 Hk. Tls. in exports. Among the latter, trade in domestic goods amounted to over 59,937,000 Hk. Tls., representing about 20 per cent of the total export of Chinese products. During the period the balance of trade was in favor of imports, amounting to more than 224,040,-000 Hk. Tls. This unfavorable balance is attributable to the Japanese hostilities in Shanghai. During the period of "undeclared war" the money-market in Shanghai was very tight, and merchants with limited means found it very difficult to secure banking facilities to finance their business. Even those merchants who had substantial deposits in the banks found very great difficulty in transacting business. In addition to these obstacles to trade, transportation services were suspended during the period of hostilities in and around Shanghai. All these factors had the effect of restricting Shanghai's business activities. At the height of the boycott movement merchants who had placed orders in Japan sent telegrams of cancellation, and when consignments were already on the way goods were left in godowns upon arrival at Shanghai. Thus import trade during the period of hostilities steadily decreased, but there was a recovery in April, a total value of 56,209,822 Hk. Tls. being imported. During the same month exports from Shanghai also increased to about 9,564,000 Hk. Tls. The import trade of Shanghai during May increased to 56,979,972 Hk. Tls., while exports (mainly domestic goods) totalled 10,633,921 Hk. Tls., an increase of over 1,100,000 Hk. Tls. as compared with the preceding month. Imports during June amounted to 47,809,877 Hk. Tls., a decrease of over 9,000,0000 Hk. Tls. as compared with the preceding month, but for exports the situation was different, amounting to about 12,087,899 Hk. Tls., an increase of over 2,500,000 Hk. Tls. as compared with May. During the month of June tea forms the chief item of export from Shanghai, totalling this year 2,600,000 Hk. Tls., followed by leather and leather products, with 2,300,000 Hk. Tls., with cotton and cotton manufactures third, a value of 2,000,000 Hk. Tls. being exported. The following table shows the monthly import and export trade of Shanghai during the first half of 1932:

	IMPORTS C.G.U.=Hk. Tls.	EXPORTS. (000's omitted) Hk. Tls.)	*Excess of Imports.*
January	54,675	60,799	8,435	52,364
February	22,871	25,113	9,569	15,544
March	32,520	35,869	8,450	27,419
April	48,498	56,210	9,564	46,646
May	47,802	56,980	10,634	46,346
June	39,875	47,810	12,088	35,722
Total	246,241	282,781	58,740	224,041

Dairen.—Trade between Manchuria and the outside world is practically monopolized by Japan, owing to her geographical position and dominant influence. Since December last trade between Japan and Dairen, the leading port of Manchuria had been steadily increasing, and in February imports from Japan to Dairen amounted to over 6,157,000 Hk. Tls., showing an expansion the following month to 8,439,000 Hk. Tls. During the first quarter

of the year, owing to the trouble in Shanghai causing the closing-down of various cotton mills, a huge quantity of cotton piece goods was imported, and in April it is estimated that the total import trade of Dairen was 11,449,000 Hk. Tls., increasing to 12,489,000 Hk. Tls. in June. Dairen's total imports during the second quarter of the year amounted to 38,715,000 Hk. Tls., an increase of over 17,000,000 Hk. Tls. as compared with the preceding period. The chief exports from Dairen were beans, beancake, and bean-oil, and the total export trade of that port during the period under review was 81,582,000 Hk. Tls., with an excess of exports amounting to 21,770,000 Hk. Tls. The following table shows the monthly trade of Dairen during the first quarters of 1932:

	IMPORTS		EXPORTS	*Excess of*	
	C.G.U.	Hk. Tls.	Hk. Tls.	*Imports*	*Exports*
		(000's *omitted*)			
January	5,844	6,499	16,625	—	10,125
February	5,608	6,157	5,729	428	—
March	7,651	8,439	16,187	—	7,748
April	9,879	11,450	11,788	—	338
May	12,397	14,777	13,443	1,334	—
June	10,416	12,489	17,810	—	5,321
Total	51,795	59,812	81,582	—	21,770

Tientsin.—Tientsin's import trade for the first two quarters of the year was 53,468,000 Hk. Tls., while export business during the same period amounted to 29,633,000 Hk. Tls. In February, due to the effects of the Sino-Japanese trouble in Shanghai the trade of Tientsin decreased considerably, but in the following month there was a recovery in import business, a total of 10,031,000 Hk. Tls. being registered, while export business further decreased to 4,713,000 Hk. Tls. During the six months under review Tientsin's export trade showed a marked decrease. For instance, raw cotton exported from Tientsin during the first six months of 1931 amounted to 219,612 piculs, but decreased to 98,764 piculs for the corresponding period this year. Cotton-seed exports decreased from 268,822 to 155,994 piculs, while for bran business also decreased from 552,047 to 266,957 piculs. The following table shows the trade passing through Tientsin during the first six months of the current year:

	IMPORTS		EXPORTS	*Excess of*	
	C.G.U.	Hk. Tls.	Hk. Tls.	*Imports*	*Exports*
		(000's *omitted*)			
January	4,319	4,802	5,398	—	595
February	4,371	4,800	5,674	—	874
March	9,095	10,031	4,713	5,317	—
April	13,482	15,625	4,874	10,751	—
May	7,820	9,322	3,775	5,547	—
June	7,411	8,886	5,199	3,687	—
Total	46,497	53,468	29,633	23,835	—

Canton.—During the first half of this year trade in Canton has depressed. At times the import trade from Japan was fairly brisk, but during February and March this business was reduced practically to nothing, while from other countries import business also decreased. Exports from Canton were also very limited during the period, mainly due to the slump in silk, which in normal years form the chief item of export. During the first quarter of the year the total trade of Canton amounted to over 18,000,000 Hk. Tls., comprising 12,053,000 Hk. Tls., imports and 6,895,000 Hk. Tls. exports, and increased during the second quarter, to over 26,000,000 Hk. Tls., imports amounting to 17,206,000 Hk. Tls. and exports to 9,611,000 Hk. Tls. Throughout the six months under review Canton's trade was always in favor of imports, totalling over 13,748,000 Hk. Tls. as shown in the following table:

	IMPORTS. C.G.U.=Hk. Tls.	EXPORTS. Hk. Tls.	*Excess of Imports.* Hk. Tls.	
		(000's omitted)		
January	3,274	3,640	1,937	1,703
February	4,038	4,433	2,291	2,142
March	3,608	3,980	2,668	1,312
April	7,476	8,664	3,390	5,274
May	4,031	4,805	2,447	2,357
June	3,118	3,738	2,775	964
Total	25,544	29,260	16,508	13,752

Hankow.—During the first quarter of the year the total trade passing through Hankow amounted to over 12,000,0000 Hk. Tls. comprising 4,932,000 Hk. Tls. imports and 7,332,000 Hk. Tls. exports. The excess of exports, which was 2,400,000 Hk. Tls., is attributable largely to the effect of the Japanese trouble in Shanghai, which brought about a cessation of shipping and commerce in central China, particularly between Shanghai and Yangtsze ports. The trade of Hankow during the second quarter of the year amounted to over 19,000,000 Hk. Tls., of which imports were 8,804,000 Hk. Tls. while exports business was 8,485,000 Hk. Tls. an increase of over 100,000 Hk. Tls. as compared with the preceding quarter. During the period of Japanese hostilities in Shanghai (which lasted about for three months) trade on the Yangtsze had been decreasing, particularly in Japanese goods. In addition, floods and banditry added further obstacles to trade in the interior. In January imports to Hankow amounted to only half the value registered during the corresponding month of 1931, while export business decreased by one-third.

The total trade of Hankow during the first six months of the current year amounted to over 29,000,000 Hk. Tls., with an excess of exports amounting to 2,079,000 Hk. Tls., as shown in the following table:

	IMPORTS C.G.U.=Hk. Tls. (000's omitted)		EXPORTS Hk. Tls.	*Excess of Imports* Hk. Tls.	*Exports* Hk. Tls.
January ..	1,632	1,814	1,888	—	74
February .	905	994	1,852	—	858
March ...	1,927	2,125	3,593	—	1,468
April	2,207	2,558	2,875	—	317
May	2,719	3,241	2,973	268	—
June	2,592	3,107	2,638	469	—
Total..	11,982	13,839	15,819	—	1,980

GENERAL CONCLUSIONS

It is only too clear that since the beginning of 1931 world conditions have gone from bad to worse, and that China in particular has suffered more than ever from continual political tension, appalling floods, and from aggressive action by the Japanese army and navy, coupled with the adverse effects of cheap silver, falling commodity prices, violent fluctuations in exchange, and reduced consumption throughout the world. As shown by the preceding figures, China's total trade during the first six months of the present year, as measured by value, amounted to only Hk. Tls. 906,000,000, and unless considerable improvement be made during the other half of the year, the total for 1932 will be the lowest figure recorded during the last five or six years. China's aggregate exports, during the half-year, amounting to Hk. Tls. 298,920,000, represented but one-third of the 1931 figure, while exports, estimated at Hk. Tls. 607,000,000, also showed an enormous decrease compared with last year's returns. The reasons for this unfortunate state of affairs are not far to seek. Briefly stated, they are the result of the worldwide economic depression and general unrest at home, including the military occupation of Manchuria and, for a time, of Shanghai, by the Japanese forces, an action affecting most seriously China's export trade. The dislocation of the world economic system also made foreign nations more aggressive in their commercial policy. While raising their tariff walls to protect their own industries they tried by every possible means to penetrate the Chinese market, even to the extent of dumping their surplus goods at absurdly low prices.

It is mainly due to diminished exports—as evidenced by the returns for silk, tea, wood oil, egg and egg products, etc.—that China shows an unfavorable balance of trade for the first-half of 1932 of an unprecedentedly serious nature. In 1931 the total value of China's import trade exceeded that of exports by approximately Hk. Tls. 520,000,000. The unfavorable balance amounts to Hk. Tls. 308,180,000 for the first half of the present year, and as it appears most improbable that China will be able to make up her loss during the remaining portion of the year, conditions at the end of 1932 appear likely to be worse rather than better. Unless the Manchurian problem is solved, there is indeed no hope of any improvement, as it is the Manchurian ports which are among the main outlets for China's native products.

China Balances Her Budget for the First Time in Twenty-one Years

The following is the complete text of the report made by T. V. Soong, Minister of Finance, to the Plenary Session of the Central Executive Committee, at Nanking, December 15, on the state of China's finances.

I HAVE the honor to submit my report for the 19th and 20th fiscal years ending with June 30, 1932, together with information bringing the report up to the date of the present session of the Central Executive Committee. There was one break in my term of office: on December 19, 1931, I resigned, and on January 29, 1932, I was reappointed. The report for the year ending June 30, 1931, should have been published early this year, but owing to the Japanese invasion of the area around Shanghai publication was delayed, and in consequence the present report reviews the two fiscal years.

During the period under review, two strongly contrasting pictures appear. From June, 1930, till the beginning of the Japanese invasion around Shanghai on January 28, 1932, was a period marked by incessant issue of domestic loans to make up for insufficient income from February, 1932, expenditure was more closely adjusted to income, and this, together with the results of improvements in the administration of national revenue, enabled the Government to carry on without resorting to further bond issues.

A Balanced Budget

It should be a matter of satisfaction to the Central Executive Committee that since February, 1932, for the first time in the 21 years of the Republic, the Government has been able to balance its budget at a time of world economic depression when practically every government has large deficits and when, in addition to the depression, the Government has had to confront the colossal burden of the 1931 floods, the slump in silver, the Japanese seizure of revenue in Manchuria and the attack on Shanghai.

Seldom has a more spectacular transformation taken place in the finances of a government. On January 28, when the Japanese marines made their surprise attack on Chapei, the state of the national finances was critical. Owing to political difficulties, revenues had fallen off alarmingly, and the prices of government bonds were slumping disastrously. The crisis of battle at the commercial and financial center of the country brought about absolute chaos, and the banks were in such a condition that they could render no assistance to the Government. It became immediately apparent that only through limitless capacity to take punishment could the Government survive to offer organized resistance to the invaders.

In face of the national danger, the Government stripped itself of everything for the moment not essential to its existence. Excepting the diplomatic and revenue-collecting services, all civilian departments were drastically curtailed, only the barest skeletons were maintained, and the army alone was provided for. Thanks to the sacrifices and devotion of the Government staff of all ranks, sufficient funds were raised in the ensuing weeks to maintain a front until a more comprehensive scheme could be put through.

Internal Loan Conversion

Following upon these emergency measures, the plan of internal loan conversion was devised. Since the establishment of the National Government, repeated attempts of various elements to overthrow it has required the prosecution of serious military campaigns to preserve its existence. Revenue being insufficient, it was necessary to resort to frequent issues of short term internal loans, which were the only type of loans that the market could absorb. These flotations involved large sinking fund and interest charges, which progressively reduced the net income of the Government and that in turn necessitated more loans, creating thereby a vicious circle.

When the Japanese invasion took place, further borrowings became impossible, and the revenue fell off at the same time, so that a serious question arose as to the Government's ability to meet interest and amortization payments. After repeated conferences with the Bondholders' Association, the Government adopted a plan whereby all the bonds were to be charged on the Customs (the other revenues being entirely cleared of debt charges), the interest rate reduced to a flat 6% per annum, and current payments for amortization of principal reduced through lengthening the term of the loans. By this operation the Government saved almost $100,000,000 annually in debt charges. In many respects the conversion scheme was similar to the conversions since effected in Great Britain and France.

During the critical month of February it was barely possible to do more than issue rations to the troops, except to those divisions that were fighting the Japanese and holding the communists in Kiangsi and Hupeh. When the Shanghai situation cleared up revenues improved, and military expenditures again increased. However, at all times they have been firmly kept within the limits of $18,000,000 monthly fixed at the Disbandment Conference in 1929. At the present rate of military expenditure, there is a saving of another $100,000,000 per annum as compared with expenditures of the last two years.

These measures affecting expenditures would not have sufficed had not the Government been able to reap the benefit of its consistent efforts to develop the national revenue system. The substantial increase of customs revenue after tariff autonomy was secured, the restoration and improvement of the salt revenue administration, the development of the consolidated tax system and the general improvement in methods of collection all contributed to the attainment of financial equilibrium.

Pride of place must be given to the fact that during this period there has been no civil war directed against the Government, which has been pursuing a policy of the utmost forbearance. The greatest credit must also be given to the Army which, in facing the Japanese attack around Shanghai and prosecuting a most successful campaign against the communists, with very little funds available, greatly enhanced the nation's morale.

Rise in Value of Domestic Bonds

China's success in carrying on without borrowing has been of immense benefit both at home and abroad. There is greater faith in the security of the Government, now that it is self-sustaining and no longer dependent on the fluctuations of the bond market. Banks have been able to devote their entire attention to commercial and industrial requirements as they no longer have to assist the Government. Since the conversion scheme greatly increased the Government's ability to pay and the Government has definitely adopted the policy of not relaying on loans for current expenditure, domestic bonds have risen in a very striking manner in recent months. On the average, they are now about 40% higher than before the conversion scheme went into effect.

Abroad, government credit is also greatly enhanced. During the last twelve months the Reorganization Loan of 1913 has risen in the London market from 62 to 77, the 1898 Loan from 82½ to 97¼, and the 1908 Anglo-French Loan from 48 to 73. The 1898 Loan, due in 1943, which is the senior customs-secured loan, now sells on a yield basis of about 4¾%. Railway bonds have also risen considerably, reflecting the improvement in the general financial outlook of the Government, as well as in the management of the railways themselves.

The striking progress thus achieved offsets all hostile propaganda that China is in a chaotic state with a tottering Government. The Ministry of Finance during the last few years has maintained in season and out of season that if military expenditures could be kept within reasonable limits the budget could be balanced and a marked improvement in the national standing would result. That this prediction came true despite foreign aggressions, communist uprisings and natural calamities must occasion the greatest gratification to the members of the Government.

Receipts and Payments.—The tables which follow show the receipts and payments of the Ministry of Finance on the basis of reports received by the Department of Accounts during the fiscal years ended June 30, 1931, and June 30, 1932, respectively. These figures include certain revenues collected and payments made prior to July 1 of each fiscal year, reports of which were not received until after that date, and correspondingly exclude revenues collected and payments made prior to June 30 of each year, reports of which were not received until later.

GENERAL STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 1932

(Receipts)

	Revenue:		
1.	Customs revenue ...	$312,986,653.50	
2.	Salt revenue.....	150,484,086.72	
3.	Consolidated taxes:		
	a. Rolled tobacco tax .$45,959,850.74		
	b. Flour tax . 4,084,507.13		
	c. Cotton yarn tax . 2,320,970.14		
	d. Match tax . 699,693.61		
	e. Cement tax . 265,683.84		
	Sub-total	53,330,705.46	
4.	Tobacco and wine taxes	8,617,127.48	
5.	Stamp tax	6,111,114.80	
6.	Revenue collected by Provincial Governments and Special Finance Commissioners	.3,547,906.62	
7.	Dividends on government owned bank stocks	1,160,000.00	
8.	Miscellaneous	24,688,604.08	
	Total revenue	560,926,198.66	
	Less: Deductions for the support of revenue services, and refunds of revenue:		
	a. Deductions for the support of revenue services $60,034,440.55		
	b. Refunds of revenue 3,137,954.77		
	Sub-total	63,172,395.32	
	Net total revenue ..		$497,753,803.34
	Proceeds from borrowing:		
1.	Domestic bonds and treasury notes	192,816,436.88	
2.	Bank loans:		
	Total amount borrowed .. 185,458,199.27		
	Less: amount liquidated .. 152,594,629.53		
	Net proceeds	32,863,569.74	
	Total proceeds from borrowing	225,680,006.62	
	Less: Decrease in bank overdraft during period	8,965,665.81	
	Net proceeds from borrowing.....		216,714,340.81
	Total Receipts		$714,468,144.15

(Payments)

I.	Party		$ 5,070,800.00
II.	Civil expenses:		
1.	National Government Council	2,075,000.00	
2.	Executive Yuan and subsidiary organs..	29,783,580.41	
3.	Legislative Yuan and subsidiary organs ..	1,151,551.00	
4.	Judicial Yuan and subsidiary organs ..	67,379.96	
5.	Examination Yuan and subsidiary organs ..	1,168,525.20	
6.	Supervisory Yuan and subsidiary organs ..	926,000.00	
7.	Other civil establishments	4,973,141.63	
8.	Famine relief	1,024,000.00	
9.	Subsidies		
	a. Provincial and local governments $19,232,193.13		
	b. Others 346,518.00		
	Sub-total	19,578,711.13	
10.	Miscellaneous	271,766.04	
	Total of civil expenses.	61,019,655.37	
	Less: Refunds	1,063,542.93	
	Net payments for civil purposes		59,956,112.44
III.	Military expenses		311,646,128.02
IV.	Transfers to local authorities from the Salt Revenue Inspectorate..		$47,525,169.83
V.	Loan service, net amount		241,027,679.99
VI.	Indemnity, net amount		48,500.892.32
VII.	Net payments added to reserves and suspense items		650.633.15
VIII.	Cash balance carried over		90,691.40
	Total Payments		$714,468,144.15

GENERAL STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 1932

(Receipts)

I.	Revenue:		
1.	Customs revenue $369,742,637.30		
2.	Salt revenue	144,222,716.24	
3.	Consolidated taxes		
	a. Rolled tobacco tax . $62,076,153.76		
	b. Flour tax . 5,606,122.46		
	c. Cotton yarn tax . 17,072,786.38		
	d. Match tax . 3,348,655.34		
	e. Cement tax .. 578,080.44		
	Sub-total	88,681,798.38	
4.	Tobacco and wine taxes	7,625,785.51	
5.	Stamp tax	4,798,950.84	
6	Revenue collected by Special Finance Commissioners	174,571.00	
7.	Dividends on government owned bank stocks	1,610,600.00	
8.	Receipts on government railways ...	516,953.45	
9.	Miscellaneous	15,270,892.84	
	Total revenue	632,644,905.56	
	Less: Deductions for the support of revenue services, and refunds of revenue:		
	a. Deductions for the support of revenue services. 65,988,777.97		

	b. Refunds of revenue 13,679,733.13		
	Sub-total	79,668,511.10	
	Net total revenue		$552,976,394.46
II.	Proceeds from borrowing:		
1.	Domestic bonds and treasury notes ..	125,455,691.39	
2.	Bank loans: Total amount borrowed .. 108,111,322.52 Less Amount liquidated .. 104,984,887.66		
	Net proceeds	3,126,434.86	
3.	Bank overdrafts. Amount at end of period . 1,341,652.04 Plus: Cash balance at beginning of period . 90,691.40		
	Total of bank overdraft	1,432,343.44	
	Net proceeds from borrowing....		130,014,469.69
	Total Receipts		$682,990,864.15
	(Payments)		
I.	Party		$3,922,894.75
II.	Civil expenses:		
1.	National Government Council	$1,573,000.00	
2.	Executive Yuan and subsidiary organs..	22,870,950.97	
3.	Legislative Yuan and subsidiary organs	611,000.00	
4.	Judicial Yuan and subsidiary organs .	16,769.99	
5.	Examination Yuan and subsidiary organs	605,450.00	
6.	Supervisory Yuan and subsidiary organs	776,800.00	
7.	Other civil establishments	2,256,703.18	
8.	Famine relief	3,390,000.00	
9.	Subsidies a. Provincial and local governments $22,983,973.51 b. Other 369,715.30		
	Sub-total	23,353,688.81	
10.	Miscellaneous	985,572.28	
	Total of civil expense	56,439,935.23	
	Less: Refunds	33,564.85	
	Net payments for civil purposes..		56,406,370.38
III.	Military expenses		*303,777,062.78
IV.	Transfers to local authorities from the Salt Revenue Inspectorate		47,794,626.14
V.	Transfers to special fund account from the Salt Revenue Inspectorate		787,517.03
VI.	Loan service, net amount		238,754,171.73
VII.	Indemnity, net amount		31,089,750,07
VIII.	Net payments added to reserves and suspense items		458,471.27
	Total Payments		$682,990,864.15

*Including payments made in prior years amounting to $48,604,073.26.

CUSTOMS SERVICE

On January 1, 1931, a revised customs import tariff was put into effect, and on June 1, 1931, collection was begun under a revised export tariff applicable to goods shipped to foreign ports, as the then existing export tariff was based on valuations of the year 1858. At the time of the imposition of the new export tariff, native customs were completely abolished. Also during the current year an increase in a number of the rates of import duty, mostly on luxuries, was introduced as a revenue measure.

In spite of the urgent need of revenue, notable steps have been taken to abolish charges on domestic trade. In connection with abolition of likin in January, 1931, and revision of the tariff, native customs revenues, comprising duties on junk-borne trade, were abolished in respect of points more than 50 li from treaty ports on January 1, 1931, and in respect of points less than 50 li from treaty ports on June 1, 1931. Coast trade duties and transit dues were also abolished in January, 1931. At present, the only customs duty on internal trade is interport duty, which on account of revenue needs is still applied to goods shipped from one treaty port to another.

These measures have caused a heavy loss of revenue, which the Government could ill afford, but it is hoped that they will be eventually justified by the resulting benefit to domestic trade. Aside from the loss of $80,000,000 of national and provincial revenue from likin proper, revenues amounting to nearly $20,000,000 were given up as shown by the following statement of receipts in 1930:

Coast trade duty	$ 6,298,000
Transit dues (inwards)	2,305,000
„ „ (outwards)	943,000
Native customs and junk dues	9,908,000
	$19,454,000

A further measure of simplification was the abolition of the distinction previously made between the old so-called 5% duties and the "additional duties." Certain internal loans had been charged specifically on the 5% duties, after meeting foreign loan and indemnity service. The internal debt reorganization of February 1932, made the service of these loans a part of the general charge on customs revenue for internal debt service, and the distinction was abolished as of March 1, 1932. This step materially simplifies customs procedure.

China, along with other countries, has greatly suffered from dumping of cheap Japanese goods in consequence of the rapid fall of the yen and the reckless attempts to export at any pricein in order to obtain a favorable balance of trade. This dumping constitutes a grave threat to the existence of many of our industries and numerous applications for relief have been made to the National Government.

Increased Smuggling from Hongkong

There has been a marked increase in smuggling particularly in the Canton delta from Hongkong, and on the Hopei and Shantung coast from the puppet state of "Manchukuo." The Customs is building a large number of patrol boats to cope with this situation, and it is hoped that by the extension of the protective service this new menace may be brought under control.

The most important development during recent months has been the seizure of the Manchurian customs by the Japanese. Commencing with the enforced stoppage of remittances from Harbin; Newchwang and Antung in the latter part of March, the Japanese finally seized all the customs offices including that situated in the leased territory of Dairen, in violation of the international agreement of 1907. Moreover, about two-thirds of the balances on hand at the time of the seizures is even yet detained by the Japanese authorities.

These seizures have thrown upon the rest of the country the burden of providing the entire service of China's customs-secured obligations, since despite all undertakings no remittances whatever have been received of sums collected since the seizures. The National Government has protested against the seizures as a cynical violation of China's integrity and of agreements involving the security of China's obligations, and as a threat to the principle of the Open Door.

The following table shows the amount of maritime and native customs revenue collections (1) since 1912:

Year	Gross revenue, including tonnage dues
	Approximate amount in silver dollars
1912	66,400,000
1913	72,693,000
1914	65,576,000
1915	62,825,000
1916	64,342,000
1917	65,046,000
1918	62,494,000
1919	78,280,000
1920	84,018,000
1921	91,427,000
1922	97,576,000
1923	105,391,000
1924	114,461,000
1925	115,627,000
1926	128,072,000
1927	112,404,000
1928	133,252,000
1929	243,966,000
1930	290,199,000
1931	384,925,000
1932 ..... (estimated)	286,000,000

A part of the decrease in 1932 is due to Japanese seizure of the Manchurian customs revenue, beginning in the Spring of 1932. Collections at Manchurian ports in 1931 amounted to about $40,000,000.

(1) Including import, export and coast trade duties and transit dues, but excluding famine and flood relief surtaxes.

SALT ADMINISTRATION

The Salt Administration keeps up its record of progress and extension of its control. A serious threat has come, however, with the seizure of the Salt Inspectorate in Manchuria in March, 1932. Since that time the entire revenue there, including foreign loan quotas, has been seized.

Loan quotas, however, are being received with commendable regularity from all parts of the country excepting Manchuria. Payment of arrears of the salt contribution for service of the Hukuang loan was completed in 1931, and in 1931 and 1932 an amount additional to that required from salt revenue under the loan agreement was provided in order to pay one interest coupon in June of each year.

The most important administrative reform instituted was the amalgamation of the Salt Commissioners' work with that of the District Inspectors of the Salt Inspectorate in a large number of provinces by making the District Inspectors concurrently Salt Commissioners. The change has the advantage of instituting unified control, which makes it easier to deal with smuggling and other abuses. It also has permitted a considerable reduction in personnel, with consequent saving of many millions each year. Finally, it places the salt revenue entirely under the control of men who are promoted and maintained on a civil service basis. Two of the three revenue administrations of the Ministry of Finance are now operated under the civil service system and plans are completed to place the only other administration, the Internal Revenue Administration, likewise under the civil service system in the immediate future.

The progress of the salt revenue is clearly indicated in the following table showing collections from 1913, when the Salt Inspectorate was established, to 1932:

Year	Gross revenue	Year	Gross revenue
1913	$19,044,200	1923	$90,506,700
1914	68,475,300	1924	97,908,600
1915	80,503,400	1925	91,930,600
1916	81,064,800	1926	92,058,600
1917	82,245,800	1927	82,906,200
1918	88,393,700	1928	65,564,500
1919	87,822,500	1929	78,762,700
1920	90,052,400	1930	127,861,900
1921	94,883,100	1931	162,875,000
1922	98,100,700	1932 (estimated)	149,000,000

The decrease in 1932 as compared with 1931 is explained by Japanese seizures in Manchuria commencing in the early part of 1932.

INTERNAL REVENUE ADMINISTRATION

During the period under review, the Ministry has steadily pursued its policy of consolidation and simplification of the tax system. In spite of the heavy loss of revenue involved, likin and levies of similar nature were abolished in January, 1931. In July, 1932, with the amalgamation of the Wine, Tobacco and Stamp Tax Administration and the Consolidated Tax Administration into the Internal Revenue Administration, the process of consolidation has been finally completed and the administration of the taxes on documents (stamp tax), wine, native tobacco, cigars and cigarettes, flour, cotton yarn, cement, and matches has been brought under a single organization. Apart from provincial and local taxation, China now possesses a simple, unified, and relatively logical system of national taxation.

As compared with the multitudinous tax offices of the past, the administration of all national taxes is now consolidated into only three administrations, Customs, Salt Gabelle and Internal Revenue.

The traditions of the Consolidated Tax Administration, which has been generally recognized as one of the best organized tax administrations, are being maintained in the Internal Revenue Administration, and, as has been mentioned already, the system will be finally assured of a solid foundation by the inauguration of a civil service system.

Conditions in China, are such as almost entirely to preclude the employment of direct taxation. In consequence, the efforts of the Ministry have been concentrated on the improvement of indirect taxation, along the following lines: 1, reduction of the number of taxes; 2, enforcement of uniformity of tax rates; 3, abolition of duplicate taxation; 4, consolidation of the tax organs into three administrations; 5, elimination of unnecessary personnel; and 6, adoption of a civil service system to give officials the benefit of regularity of pay, security of tenure, and promotion according to merit.

Although much remains to be accomplished, most of the abuses and corruption inherited from the past have been weeded out and the morale of the Ministry has been heightened immeasurably. It is not too much to say that the Ministry of Finance is steadily enjoying a greater measure of public confidence.

Rolled Tobacco Tax.—From time to time since the establishment of this tax, grades and rates have been modified with the view of conserving business as well as of improving the revenue. In place of the former seven-fold classification of cigarettes, a three-fold classification was introduced, effective October 1, 1930.

The customs import tariff of 1931 increased the duties on rolled tobacco to a basic rate of 50 per cent *ad valorem*, thus in effect incorporating the consolidated tax on imported goods in the customs duty. In order to minimize the dislocation of business and the consequent loss of revenue which might follow immediate application of the increased rate on imported rolled tobacco in terms of gold units, the Government authorized the collection of the consolidated tax temporarily on imported goods in lieu of four-fifths of the import duty. The rates of the consolidated tax were simultaneously raised to a basis of 40 per cent. Beginning with November 1, 1931, however, the entire tax on imported rolled tobacco goods has been collected in gold units by the Customs, and the consolidated tax on imported goods has been waived. Since the high grade of cigarettes under the consolidated tax had always comprised imported goods chiefly, only two grades were provided in the revision of rates on domestic-made cigarettes which became effective March 21, 1932.

Evasion of Taxes by Small Cigarette Factories

Measures have been taken to curb the evasion of the tax on cigarettes through production in very small factories that are difficult to trace and that can easily be removed from one location to another. This will be done through control of importation and subsequent distribution of cigarette paper. Other measures are under consideration to control the importation of cigarette-making machines.

After the restoration of internal peace in the autumn of 1930, the revenue from the rolled tobacco tax rose very sharply. The summer months always show relatively

small returns from this tax, and in 1931 the returns were reduced also by the flood situation.

Flour tax.—The tax on flour, instituted in 1928, is a consolidated tax superseding likin on wheat. Although the rate of the flour tax is lower than the aggregate of the former rates at the various likin barriers, its yield was from the start more than double the revenue formerly collected. Beginning with 1931 the tax has been administered by the Consolidated Tax Administration, and during that year the revenue derived from it was $5,701,000. Although the yield declined in the early months of 1932, it is now approaching its former level.

New consolidated taxes.—Consolidated taxes on cotton yarn, matches and cement were inaugurated on February 1, 1931. Some time was inevitably required to make these taxes effective. Beginning with April, 1931, they have shown a satisfactory yield, although the situation in Manchuria and the war in Shanghai combined with the impoverished condition of millions of our people as a result of last year's floods had a depressing effect on the revenue.

Wine and tobacco tax.—During the fiscal year 1930-1931 arrangements were at last concluded whereby all producers of beer, including those operating in the foreign settlements, are paying an *ad valorem* tax of 20 per cent on their products.

Special attention has been given to the leaf tobacco tax, and arrangements have been effected to curb the frequent practice of passing flue-cured tobacco that is used in the manufacture of cigarettes at the lower rates applicable to native sun-dried tobacco.

In August last the excise tax on foreign wines and liquors was incorporated with the duty and the tax is now being collected by the Maritime Customs. This arrangement will make for uniform application of the tax and economy in collection, and should yield increased revenue when existing stocks are worked off.

For some years prior to 1928, when the Ministry of Finance assumed administrative control of the wine and tobacco tax, the revenue had been chiefly collected by the provinces and the tax had been generally farmed out. In the two years under review, further progress has been made in abolishing the practice of tax-farming and in substituting therefore a system of collection by agents directly responsible to the Government.

Stamp tax.—Since the establishment of the National Government the administration of this tax has steadily improved. Efforts have been directed toward the enforcement of the use of uniform stamps throughout the country, the abolition of the tax-farming or quota system, and the more effective application of the tax in the foreign settlements, which has been secured through the creation of a special police inspection squad.

NATIONAL DEBT

Attempts to overthrow the Government by military force in 1930 and 1931 made it necessary to authorize issuance of the following securities:

The 19th Year Customs Short Term Treasury Notes	$80,000,000
The 19th Year Rehabilitation Short Term Treasury Notes	50,000,000
The 20th Year Rolled Tobacco Tax Treasury Notes	60,000,000
The 20th Year Customs Short Term Treasury Notes	80,000,000
The 20th Year Consolidated Tax Short Term Treasury Notes ..	80,000,000
The 20th Year Short Term Salt Revenue Treasury Notes.....	80,000,000
The 20th Year Short Term Currency Loan	80,000,000
	$510,000,000

In addition, the 20th Year Kiangsu and Chekiang Silk Loan of $6,000,000 for rehabilitating the silk industry was issued as of April 15, 1931, and the 20th Year Flood Relief Loan of $30,000,000 as of September 1, 1931.

During the fiscal year ended June 30, 1931, the proceeds of borrowing, as shown in the statement given at the beginning of this Report, were $216,714,340.81. During the fiscal year ended June 30, 1932, the proceeds of borrowing were reduced to $130,014,469.69, but there was no reliance on loans after January 1, 1932, as shown by the following figures:

	Borrowing	Surplus
July-December, 1931	$132,467,654.88	
January-June, 1932		$2,453,185.19
Net total	$130,014,469.69	

This transformation of the fiscal position puts an end, it is hoped, to a period of borrowing for current expenses which has lasted since the beginning of the Republic. It was made possible, as already stated, by the internal debt conversion in February, 1932, and by the limitation of military expenditures.

The amount paid out for debt retirement may be set off against the new debts contracted in the period before the end of 1931. During the fiscal year ending June 30, 1931, about $150,000,000 of debts were paid off, about $100,000,000 being internal debt and $50,000,000 external debt. During the fiscal year ending June 30, 1932, the total repaid was about $160,000,000, the amounts of internal and external debt being about $110,000,000 and $50,000,000 respectively. These figures take no account of a substantial reduction of liability in respect of Boxer Indemnity.

One unfavorable feature that remains is the problem of the debt in arrears, which is still unsettled. In November, 1930, the Government convened a conference of the representatives of the creditors, and it was hoped that the negotiations then begun would lead to a comprehensive arrangement for dealing with this problem. The unprecedented series of misfortunes in 1931, not the least of which is the Japanese invasion and the seizure of revenues in Manchuria, prevented much progress in dealing with this problem. At such a time and when Government finance is just holding its own, bond-holders cannot expect a comprehensive plan to be evolved. Nevertheless this problem in one of the Government's serious pre-occupations, and as soon as the financial and economic situation permits, negotiations will be resumed.

THE FLOOD SITUATION

The inundation of the heart of the Yangtse Valley last autumn, affecting a population, of 43,000,000 and creating famine conditions, was probably the greatest natural calamity on record.

Fortunately, a very substantial part of the relief requirements was provided by the purchase of 450,000 short tons of American wheat on three to five years' credit at 4 per cent interest, with maturities in three equal parts December 31, 1934, December 31, 1935, and December 31, 1936. The total debt so contracted amounts to US$9,212,826.56.

A cash outlay of millions of dollars monthly, however, was necessary to meet the cost of ocean shipping, insurance, river transportation and handling of the wheat emergency measures of feeding and housing; provision of winter clothing for refugees; and cost of repairing dykes. In order to meet such costs, the Government authorized a bond issue of $80,000,000, with $30,000,000 as the first instalment. But unfortunately, the condition of the money market in the fall of 1931 and the early months of 1932, under the influence of Japanese aggression, was such that this issue could not be sold, and in its place a customs surtax of 10 per cent was levied on all goods, except those specifically exempted by treaties.

Flood Relief and Dyke Construction

Total expenditures for flood relief, dyke construction and other measures of rehabilitation amounted to about $70,000,000, of which about $7,500,000 was received as donations, mostly from Chinese. Expenditures were roughly one-third for emergency relief and two-thirds for the permanent work of restoring and building 7,400 kilometers of dykes. At the peak 1,400,000 men were engaged in labor under supervision of the Commission. The administration was composed of an immense staff of volunteers and technical help, and carried on its work without faltering in face of the utmost difficulties. There is no doubt that without the efficient working of the Commission, the high waters in the summer of 1932 would have caused another disaster and famine conditions, in place of the bumper crops prevailing everywhere.

Not the least remarkable features were that work proceeded without interruption during the Japanese attack on Shanghai, that engineers worked in regions

that were then occupied by the Communists, and that not a cent of funds was diverted to civil or military needs of the Government despite the extreme urgency prevailing.

This sterling performance and the success of the reconstruction program have enhanced the regard of the people for the Government, which has placed their welfare above all other considerations.

CENTRAL BANK OF CHINA

The Central Bank since its establishment has been a tower of strength to the National Government, and has rendered invaluable assistance toward surmounting the many difficulties which have been encountered. The progress of the bank and its present solid position are shown clearly in the attached statements. It will be observed that since its establishment the amount of note circulation has grown to over $35,000,000, and total assets to over $216,000,000. The strength of the Bank is dramatically shown by the fact that even during the Japanese invasion of Shanghai it was unaffected by the shock.

CENTRAL BANK OF CHINA

ASSETS

	1928 (Dec. 31)	1929 (Dec. 31)	1930 (Dec. 31)	1931 (Dec. 31)	1932 (Nov. 30)
Cash on hand	$7,963,242.24	14,398,412.53	15,172,136.67	15,772,651.48	25,686,655.08
Cash on call with banks	10,394,767.67	18,651,949.93	41,791,496.84	21,635,151.30	43,342,776.57
Reserve against notes in circulation:					
Cash	8,232,923.00	9,676,857.20	19,475,228.00	18,795,349.00	29,011,996.00
Securities	3,480,000.00	5,703,004.80	3,194,000.00	6,378,000.00	6,149,000.00
Loans, discounts and overdrafts	4,419,714.54	15,265,174.20	28,279,545.87	75,041,108.13	93,671,614.48
Government securities owned	9,990,000.00	8,501,281.00	755,290.00	480.00	49,530.00
Bank premises	2,004,305.28	3,190,955.37	3,190,955.37	3,357,665.95	4,460,323.27
Furniture and fixtures	32,910.29	119,579.64	128,273.87	215,473.17	267,289.34
Accrued items and accounts receivable	703,308.46	10,307,496.93	9,900,276.82	1,277,405.69	6,514,365.57
Other assets	249,627.87	1,055,082.22	2,449,051.22	2,858,535.26	7,271,197.40
	$47,470,796.35	86,869,793.82	124,336,244.66	145,331,819.98	216,424,747.71

LIABILITIES

Capital	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00
Reserves	—	—	1,352,231.16	3,496,455.68	7,166,859.41
Notes in circulation	11,712,923.00	15,379,862.00	22,669,228.00	25,173,439.00	35,160,996.00
Deposits	15,410,467.77	39,984,707.05	66,042,175.07	89,750,920.34	133,803,743.94
Accrued items and accounts payable	108,045.45	9,812,541.38	10,123,792.54	836,748.45	6,413,437.92
Other liabilities	—	—	1,422,476.67	1,203,942.78	7,411,235.39
Net profit	239,360.13	1,692,683.39	2,726,341.22	4,870,403.73	6,468,475.05
	$47,470,796.35	86,869,793.82	124,336,244.66	145,331,819.98	216,424,747.71

THE BUDGET

The change in the state of the finances resulting from the fact that since the beginning of 1932 the National Government has been able to cover its expenditures out of current revenue without loans is

Year ending June 30	Total expenditures	Expenditures covered by borrowing Amount	Percent of total
1929	$434,000,000	$80,000,000*	18.4
1930	539,000,000	101,000,000	18.7
1931	714,000,000	217,000,000	30.4
1932	683,000,000	130,000,000	19.0

As shown above in the Section on NATIONAL DEBT, there was no reliance on borrowing from January 1 to June 30, 1932. Likewise there has been no borrowing in the subsequent period.

While the extent of borrowing in the two fiscal years ending June 30, 1932, was serious enough, there may be set off against these figures, as already stated, payments for debt retirement equivalent to about $310,000,000 during these years.

The following table clearly illustrates how closely the financial problems centers upon military and debt expenditures:

Year ending June 30	Total expenditures	Military expenditures Amount	Percent of total	Loan and indemnity services Amount	Percent of total
1929	$434,000,000	210,000,000	48.3	160,000,000	36.8
1930	539,000,000	245,000,000	46.5	200,000,000	37.1
1931	714,000,000	312,000,000	43.7	290,000,000	40.6
1932	683,000,000	304,000,000†	44.4	270,000,000	39.4

Until the winter of 1931-32, the continued disturbed state of the country prevented carrying out the program of reduction of military expenses recommended in the last annual Report, which proposed the following scale of reduction:

June to October, 1931	$20,000,000	monthly
November, 1931, to February, 1932	19,000,000	„
March to June, 1932	18,000,000	„

Beginning in the latter part of 1931, however, very substantial progress has been made in reduction of military expenditures. The National Financial Conference held at Nanking in November, 1931, established a figure of $18,300,000 monthly. During 1932, further reduction has been effected, and the present annual rate of military expenditure is thus below the limit of $216,000,000 per year set at the Disbandment conference in 1929, which for so long seemed unattainable.

Marked reduction in civil expenditure also has been made since the Japanese invasion of Shanghai. This was not accomplished by any flat reduction of appropriations, since the needs of the educational, diplomatic and other essential services have been specially provided for. It has even been possible to set aside substantial sums for the construction of highways linking the various provinces, as well as for the completion of the Yangtze dykes.

It is the belief of not a few members of the Government that the pay of government officials is already too low, and that to secure true economy the Government should proceed in the direction of reducing the personnel rather than the pay of the individual members.

Financially, the Government is far from being out of the woods. Government receipts, especially the customs revenue, must be dependent on the outcome of the world economic depression; the reduction of expenditure, which is now cut to the bone, is also causing great suffering. Maintenance of the present stability must obviously be conditioned on the absence of civil wars, and the subsidence of foreign aggression. But in view of the accomplishments during the period under review, a continuation of steady improvement may justifiably be hoped for, given comparative peace and the lifting of the world economic depression.

Respectfully submitted,

TSE-VUNG SOONG,
Minister of Finance.

Nanking, December 15, 1932.

*Not including $20,000,000 borrowed for capital of the Central Bank of China.

†Including payments made in prior years amounting to $48,000,000.

Forgotten Men of Manchuria

BY UPTON CLOSE

(*New York Times Magazine*. Nvo. 27)

MANCHURIA is an old country; it is also a new country. But the new in Manchuria has almost no connection with the old, just as in Colorado and New Mexico the civilization of the white newcomers is different from that of the Pueblo Indians.

Under Kublai Khan, Southern Manchuria—the region from Dairen to Mukden—had a high civilization. Again, under its chieftains of the Manchu tribe, it successfully imitated the culture of China in the period between the arrivals of Columbus and the Pilgrim Fathers in America. After that its population drained down into China and its territory was divided into great feudal estates and distributed among members of the clan that had captured the throne in Peking.

With the twentieth century came the return tide: Chinese pioneers, mostly from the crowded province of Shantung, ultra-individualists of an individualistic race who asked nothing but the privilege of battling severe nature and wild men for existence without restraint or interference from organized authority.

Thus, the position and sentiments of Farmer Doo, bearded and patriarchal, of the Doo Family Grain Pit, a hamlet between Mukden and the Korean border, have very little connection with the Manchu noble who once claimed ownership of this region. Twenty-nine years ago Doo arrived on foot, a penniless, strong young man, his padded Shantung coat and quilt wrapped about a precious half-bushel of wheat seed. With a spade whittled out of brushwood he "put in" his first acre.

Migration from Shantung

That Fall two of his nephews came from Shantung to join him. The three planted several more acres and constructed a dugout, whose mud-brick sides and thatched roof peered above the prairie grass. In midwinter some roving bandits came to see what the squatter had that could be carried away. Doo won their confidence and joined them in a foray against the merchants of the nearest town on the railway—a new railway built and run by the "Big Beards" from the North, the Russians. He returned to his dugout with more blankets, farm implements, cooking utensils, a bulky watch and two blunderbusses. These last, with ammunition, he carefully buried in his mud floor.

With the Spring thaw came a servant of the Manchu noble, demanding croppage. Doo and his nephews scared him away with the blunderbusses. The servant never came back; his master was ruined that Summer by political intrigue in Peking.

In his second Fall Doo reaped a good harvest. He dug and lined a large pit, hid half of the grain and his tools there and carefully replaced the sod. On the backs of two ponies he had caught and broken he transported the other half of the grain to the railroad and sold it. At the station he learned that the "Big Beards" were at war with the "Dwarfs" from the Sunrising Islands—the Japanese. He got a good price for his grain, hired out his two nephews as carriers to the Russian Army and returned to his Shantung village for the Winter.

In the Spring he returned with a woman for himself and one for each of his nephews; he also brought three cousins and half a dozen distant kinsmen, who were to work three years for their food. The railway, by now under Japanese operation, carried his party at cheap immigrant rates. He was delighted to find his nephews back, not only with belts weighted with wages in silver but with a collection of loot gathered here and there in the rear of the armies.

In two more years Doo Family Grain Pit was a complete mud hamlet, surrounded by a mud wall with three turrets, possessing a formidable, crude armory and cultivating the plain to a distance of three miles from the hole where its founder had buried his crop. By this time Doo had brought his father and thirty more relatives from Shantung, and each woman of his settlement had given birth each year. The dead, however, were carefully preserved and sent back frozen each Winter to the Shantung burial ground, excepting children and the poor kin.

That Fall one of Doo's companions of his first Winter's raid rode into the settlement with several soldiers. Doo gave him a feast of a goat-kid boiled in its mother's milk, then asked how much his visit was going to cost.

"I bring great honor to you, venerable Doo," said the man over his kaoliang liquor. "No longer am I a 'Red Beard.' I am an officer of powerful Small Chang—he who made wealth serving the Eastern Dwarfs during the war, and now establishes himself as Viceroy of the Three Outside Provinces. He commissions me to appoint you magistrate of this county as well as head man of your own village. You may now procure yourself a brocade gown and a cap with a coral button and you shall collect revenues for the mighty Chang from the people of your own and twenty other villages—retaining, of course, a magistrate's proper commission—and you will not forget your old friend at New Year's time?

"What the mighty General requires of your county between Fall reaping and the New Year is 3,000 ounces of silver. Otherwise he shall feel compelled to quarter several thousand braves on your granaries."

And so Farmer Doo became Magistrate Doo.

Of such is the backbone of Manchuria. Ninety per cent of the 30,000,000 people live in hamlets founded and organized like Doo Family Grain Pit. Only five of its cities—Mukden, Harbin, Kirin, the Japanese municipality of Dairen and the new boom capital, Changchun—have populations of more than one hundred thousand. Even in Mukden, citadel of old Manchu kings, the historic treasures, which include the saddles, cook-pots and jade mirrors of Kublai Khan, mean nothing to the city's merchants, who have migrated from Shantung or Tientsin.

Collecting the Taxes

Four years ago the news percolated through to Magistrate Doo that the mighty Small Chang had been blown up by some foreign-devil bomb as he was retreating from adventures south of the Great Wall. Doo remarked that Chang should have stayed in his own territory, and waited to see if the tax collector would come as usual after the harvest festival. Meanwhile he polished up the village armory in the event that free forces would once more roam over the country. The tax official did come and announced that he was now collecting for the ancient Chang's son—the Little General—which seemed in order to Doo, although he bargained for a reduction in the levy.

Rumors reached him from time to time that the Little General was having trouble with the authorities of the Eastern Dwarfs. "If the young fellow is wise," remarked Doo, "he will compromise." But Doo kept his eyes open for a means whereby his village might capitalize on trouble if it should break out.

In the years that had passed, changes had come about in Doo's standard of living. A branch railroad had been built through a corner of his wheat land and he sold his grain at a higher price. He had sent his two brightest nephews away to school; one now wrote letters for his magistrate uncle, and the other had been placed as station master ten miles away. Doo had planted half of his village's land in soya bean, which he sold through a Chinese middleman to the Japanese oil press on the main line. Also he was raising great fields of tall kaoliang, resembling kafir-corn, and in his own distillery he was making spirits, which paid better than wheat.

Now Doo was using kerosene instead of bean oil lamps, buying the strange fluid from the "Beautiful Good Luck Company"—Standard Oil—which he understood was owned by foreigners of the distant and wealthy "Beautiful Country"—America. His nephew read to him, every so often, from messy-looking printed sheets called "New-Hear Bulletins—newspapers—but little of it concerned Doo. At heart he was still the individualist, the pioneer, grown into a country squire.

Doo had been badly hit when old General Chang's paper money, which he had accepted for his beans and wheat, dropped to several cents on the dollar. One day last September he learned that the well-disciplined army of the Eastern Dwarfs had driven the forces of the Little

General off the railways (for which he felt no regret), but he found himself unable to sell his crops. The merchants at the railway town were gone, too, and his paper money for the time being was valueless. He had no faith in the new small yellow paper bills of Eastern Dwarfs. Fortunately under the floor of his third concubine's bedroom was buried a good cache of heavy Chinese silver. But his poorer villagers faced destitution—save for food.

Bodies of soldiers straggled by. If they were large and seemed to have leadership, he entertained them, fed them for several days, gave their leaders sparingly of silver and sped them on. If they were small, he closed the village gates and had them fired at.

Doo had allowed Koreans, who came complaining that they had been forced out of their own country, to settle on several thousand acres of poor land below the village, and charged them a usurious croppage. He was disturbed when Japanese consular agents called, claiming jurisdiction over these settlers and demanding that he give them proper leases. At the same time he received instructions from the Provincial Governor under Little Chang that no leases were to be granted to foreigners.

Doo devised a compromise by issuing papers to the settlers, but not filing them in the official archives as was required to make leases legal back in Shantung. He was fond of saying that the Russians were good-natured people who were easily tricked; that Japanese never made dry farmers and could not stand cold weather, and that Koreans could raise a good crop but never saved any seed for next planting.

Inside Story of Korean Troubles

Then a pitched battle occurred between one of the villages under his jurisdiction and the village of Korean settlers. The Koreans, encouraged by what was going on along the railway, more boldly asserted a long-standing claim to water rights. Suddenly Doo's compound was surrounded by neatly uniformed Japanese troops carrying evil-looking weapons. A Japanese officer spoke Chinese with a clipped accent, but what he demanded was clear.

Doo promised indemnity for the injured Koreans, full water rights and proper legal leasing. Then he was told that through the will of the people of Manchuria a new State had come into being and that his country was now part of "Manchukuo" and would no longer be considered a part of the Middle Republic. So far as Doo was concerned it never had been. "Nevertheless," he protested, "we are Chinese!"

"Oh, Manchukuo will be a Chinese State," said the officer. "The Japanese will protect and guide it and have equal rights here. In pursuance of this amity we are continuing you as magistrate in this district, but to help you we are placing a Japanese officer in your yamen to handle all revenue."

"Let me resign," said Doo.

"You are not permitted to resign," replied the officer sternly; and he went away with his soldiers, leaving the new revenue officer behind.

Konishi is a Japanese revenue officer attached to the State of Manchukuo. He is a university man, loyal and intensely serious; by the testimony of the taxpayers themselves he is probably more honest than any Chinese tax collector they had known.

"I am assigned," he told me, "to a county fifty miles from the rail head. The Chinese official continued from the old regime pretended loyalty to the new State and promised every facility to me. He explained that the peasants and merchants had always evaded two-thirds of their taxes, and so he had multiplied the levy by three to get somewhere near his requisite amount. Since I took charge no revenue whatever has come in except from salt and tobacco that pass through my office, and I have found no way of collecting.

"If the new capital would supply me with police to visit every farmer's compound and an auditor to place in every shop I might get it. Then, again, I might not; you know how clever the Chinese are"—with a wry smile. "We Japanese who are accustomed to obey laws find ourselves babes in their hands."

"How would it be," I suggested, "to reduce the levy two-thirds and appeal to the people to pay?"

"That," he said, "would immediately be taken as confession of the weakness of the new régime—and of us Japanese—and a reason for ignoring us altogether. I have been summoned to the new capital to suggest what can be done; what would you do in my place?"

I got off the train at Changchun, now called Hsinching, "New Capital." "How do you like the new order?" I asked my Chinese droshky driver.

"Great" he replied. "Fine for us transportation-guild fellows. We've got business all day long. Too bad they didn't think of making Changchun the capital of something long ago!"

"What about your license fee?" I asked him.

"Raised some," he replied. "License fees only go up, never down, under any régime. That is, it is the same figure, but we have to pay in Japanese yen."

Many Japanese soldiers and police were riding along the streets. "Do the Japanese and Manchukuo soldiers pay their fares?" I asked.

"Yes," he said. "They always pay the coolies and merchants. They are very orderly—but when they are fighting or excited about something, we must try to understand what they want us to do, and ask for nothing."

Down in Mukden I asked a droshky man, a rickisha man and a chauffeur similar questions. "The new régime is rotten," they confided, in effect. "This used to be the centre. Now they have moved the capital to Changchun. There are no officials to haul; peasants don't come in from the back country to buy, and merchants stay behind their shutters. How can we eat? Maybe something will happen soon."

The front of a leading cloth shop was half closed and it took a lot of Chinese patois to get me across the court and into the merchant's presence.

Smuggling of Japanese Goods

"How's business?" I asked.

"Look, see!" he answered. "Most of us have barred up and returned to Tientsin."

"Why not you?"

"Well," he said, "there is good money in Japanese piece goods run in from Osaka without duty. I don't sell the stuff in the shop, but my apprentices go out with basket loads hung from poles. A man has to make a living!

"What do you think of the whole development?" I asked.

"Oh, just one of those things," he replied. "The wheel is always turning over. The capital may come back here next month, or some new Chinese 'Big Man' may be levying on us or issuing new paper money. * * * I can remember when the Russians were here."

"Would you rather have the Russians than the Japanese?" I asked.

"No," he said, thoughtfully, "because they would be more likely to stay this time, and their new system isn't good for my kind. But I don't favor Japanese rule, either. I am a Chinese!"

A fur trader and I and twelve other "passengers" were jostling one another in the rear of a truck once used by Roy Chapman Andrews in the Gobi Desert—now operating on the steep trails of the border between Manchuria and Jehol, to the west.

"All times are times for trading," he replied. "If the eyes are open and one has a little luck, he finds a loophole. Wherever the Japanese hold the border, goods go through quite simply. And along here we have the Volunteers. They are making war on the Japanese. The Chinese border officials would be accused of lack of patriotism if they denied them privileges. For a few pistols or bullets a Volunteer group will deliver a nice lot of goods from up here, and it really doesn't cost much more than the old transportation plus border 'squeeze.'"

Volunteers Use Knives and Reaping Hooks

"What about these Volunteers? Are they just bandits operating under patriotic guise?"

"Some of them," he said. "Some are good class. They suppress the bandits in their districts and protect the villagers."

"Do they get any money or arms from Chang Hsueh-liang or the Governor of Jehol?" I asked.

He laughed. "The Volunteers don't need much money. They don't use their guns very often, and then only when their enemy is unsuspecting. Most of them are armed only with knives and reaping hooks. They eat the grain of the peasants that can't be sold now anyhow, and, since where they operate there are no tax collectors, the peasants are not much worse off. No matter what government they were under, the farmers have always had to feed whatever soldiers were around, and they know how to hide away enough for their own food."

"Takes strong intestines to exist outside the Wall," I remarked.

"Yes," he said, "but the people up here have them.

That's why nobody is going to find this country easy picking."

With effort I saw an important official of the Chang régime who has let his name be placed on the high roster of the new State of Manchukuo.

"I suppose my friends inside the Wall are calling me a traitor," he said sadly. "But I don't know what else I could have done. I was kept a prisoner for several months. Then I was told that I was to go on with my old honors and duties at the desire of the people of free Manchukuo. Well, most of my property and family are here, and it would be pretty hard for me to get out, and conditions here would be just the same if I did. So let them use my name (they have it conveniently on seals); what of it? But I have nothing to do with it, aside from exerting my influence with my old officers and men to keep peace and order; and when this is over I trust my old associates will understand."

"The Japanese are the only hope," I was told by a White Russian of Harbin. "It is either they or the Bolsheviki. But they are a little too precipitous and drastic with Soviet citizens and interests here. We are afraid Moscow will remember and take revenge."

In "New Capital" are eight or ten earnest young Japanese, overworked to the point of bad temper, doing their utmost to supersede the Japanese military action with civil government. They are "Manchukuo."

The active head of Manchukuo's Foreign Office is Mr. Ohashifi former consul in Seattle and Los Angeles, an exponent of the strenuous life and American slang, worshiper of Roosevelt and Mussolini. He has had his salary halved since he went over to Manchukuo from the Japanese consular service.

His office and others have sent desperate pleas to Tokyo for help, and the response is a flock of young graduates from Tokyo Imperial University who immediately imagine themselves nabobs of a colonial empire and set out to spend their time and new salaries over the good Russian, Japanese, Chinese and Korean "geisha" houses. The most striking construction work in Manchuria is the building of elaborate palaces of entertainment in the pleasure streets of Changchun, Dairen and Kirin.

Japanese Are Harsh But Just

"We try to get Chinese co-operation," said an earnest young official to me, "and our Chinese associates or 'chiefs' immediately disappear. If we look for them at home they have gone to the houses of their third or sixth concubines. We appeal to Tokyo for help—and you see what we get"—waving his hand toward the cabaret district. "We ask for money from here and are told that no revenues are being collected. We appeal for advances from home and are told there is no money. The military seem to think that it is a very simple thing to ask us to create a new State, after they have driven out the old authority."

A sergeant in the Manchukuo Army stopped to chat furtively with me on his way to school with his squad. Instead of guns the men awkwardly carried books—hastily prepared texts inculcating loyalty to the new State.

"We don't so much mind working under Japanese officers," he said. "They are harsh, but quite just. But we want to know why it is that here in our country the Japanese part of the Manchukuo Army is getting paid regularly while we are nearly three months in arrears." It was a few days after this that Manchukuo troops protecting the Fu Hsun collieries went over to the Volunteers in the course of a raid.

Such are the people one meets and such are the impressions one receives in Manchuria, the greatest frontier country left in the world.

On the Manchurian plains the pioneers of four nations meet. Left to themselves these people would easily adjust themselves to one another. Near Harbin I saw a symbol of natural adjustment: a skinny Chinese peasant high in the air on one side of his springboard, his enormous Russian wife weighing down the other side, driving harmoniously to market.

But such an adjustment is prevented by the clash of outside interests, national and economic. And in the resulting local rivalries the Chinese hold the advantage because of their overwhelming numbers, vitality, earlier arrival and nimble wit. They are the most individualistic of people. They posses adaptability and skill at always finding a way around, combined with the daring and fortitude of our own Western pioneers. The only unity among them is the strange cohesive force of Chinese blood, traditions and language—apparently so impotent in building modern nationalism, and yet an obstacle like quicksand to those who would force a way into their midst.

It used to be thought that if one held the slender threads of the railroads with the few cities on them, the vast hinterland would gradually swing into line. Old Chang Tso-lin knew better than that; he relied chiefly upon the rugged bandit chiefs of the back countries. The Volunteers are proving again today that the heart of Manchuria is not along the railroad. Railroad towns can starve if the hinterland does not feed them. The hinterland, barring acts of God, can feed itself and forget the existence of the railroad cities.

The people of Manchuria can be brought into the order of modern civilization only through a long process of time—or, if it must be done quickly, only through intense application of preponderant military force. Since the pressure of surrounding national interests will not admit of patience, the answer seems to be stern and continued military rule, but no governing or invading authority has yet applied one-fourth the required force.

The attitude of the individualistic Manchurian is summed up in the remark of the man from whom I was renting a donkey in a small town. "Dawn from the east, peace from Geneva" read a poster in English stuck up on the mud front of his house at the time of the League commission's visit to the province. "Interpret that for me. he requested.

I did so and tried to explain what "Geneva" meant.

He spat. "You foreigners decide whom we belong to and let us alone," he said. "The donkey will cost you seventy cents good Chinese silver money per day, with a donkey boy thrown in provided you feed them both."

Former Flood Relief Officials Charged with Embezzlement

Additional evidence was given at the Special District Court last week in the case where four ex-officials of the National Flood Relief Commission were accused, by the Anhui Residents Guild of Shanghai, of malfeasance in duty and embezzlement of flood relief wheat, resulting in the starvation of hundreds of flood sufferers of north Anhui early this year. It is alleged that Chuan Shao-wu, one of the accused, who had been appointed to look after the emergency relief work in north Anhui, failed to carry out his duty in Wu Ho-hsien about the end of May.

The defence of Chuan is that owing to the unprecedented floods in northern Anhui, the relief wheat was converted into cash and then distributed among the sufferers without notifying the district authorities. The accused produced counterfoils of relief tickets issued to the sufferers in May, showing that relief work during that period was not suspended in Wu Ho-hsien.

As to the allegation regarding the embezzlement of 75 tons of relief wheat, this was also denied by the accused who asserted that in all 300 tons of wheat were consigned to Yu Yi-hsien and that all these had been distributed among the sufferers through him.

Chinese Admiral Refutes Charge of Treason Made Against Navy

Charges of treason made against the Ministry of Navy recently in Nanking by members of the Control Yuan were refuted as absolutely unfounded in a lengthy statement issued recently by Admiral Li Shih-chia, political vice-Minister of navy.

The charges were raised by Kao Yu-tang and other members of the Control Yuan on which was based the impeachment of the Ministry of Navy recommended by certain Control Yuan members to the Executive Yuan.

The Ministry of Navy, among other things, was accused of having helped the Japanese military against the 19th Route Army during the Sino-Japanese hostilities in Shanghai. The members of the Control Yuan, it was said, attempted to prove their accusation by pointing out that the minister of navy ordered all the naval forces stationed in Nanking to refrain from returning fire when Japanese warships opened up with machine-guns in Nanking. Such a charge was absolutely denied.

1932 Was Another Bad Year for the Silk Trade

BY PAUL K. WHANG (庄仲芳)

WITH the curtain dropping down for another year, our silkmen will once again pause for a moment to reflect on their business for the past twelve months and consult their books to find out their profit or loss—rather loss than profit. The God of Fortune has persistently turned his back on our silkmen who have suffered losses consecutively for the past few years. Neither is the immediate future bright enough to cheer them up, when the world is still firmly in the grip of acute business depression.

Aside from business depression and foreign competition the Shanghai "war" wrought great havoc upon China's silk industry in 1932. For the first six months, the local silk filatures, about 120 in number, were totally closed down without one exception, and the market was virtually in a dead state. Six filatures located in the war areas were either totally or partially destroyed by the gunfire, and others were forcibly occupied and frequently looted by the invading forces and their paid hirelings. Filatures located in other districts far away from the center of war were also compelled to suspend their operations because of the financial stringency resulting from the Shanghai hostilities.

The cocoon industry was especially hard hit by the war situation. Although the actual fighting was confined to a little more than one month, the general conditions were not restored to normalcy until after the complete evacuation of Japanese troops from their occupied areas in June. During the days prior to the cocoon season, the atmosphere was over-charged with uncertainty, and the bankers refused to grant credit on whatever security. Being deprived of financial assistance, silkmen and cocoon merchants had not the means with which to buy cocoons.

In face of business and political uncertainties, the number of cocoon-producers in Central China this Spring was only two-fifths of that of last year, and those who raised silkworms reduced the quantity to half of that of the previous season. During the cocoon season, because of the prolonged cool weather with continuous rainfalls, about one-third of the worms raised died of disease, and those which reached the mature age were not healthy enough to spin good cocoons.

Unheard-of Low Prices for Cocoons

When the cocoon-buying days came, only a few silkmen who managed to gather a small amount of capital went to the nearby villages to buy cocoons. They were very cautious and entered into agreements among themselves not to pay too much. The price agreed upon and offered by them to the cocoon-producers was only half of the usual figure—between $25 and $30 per picul of fresh cocoons—an unheard-of price for the past ten or more years. In face of such a low price, the cocoon producers who had borrowed money at a high rate of interest for the purpose of cultivating silkworms sustained heavy losses.

For the past few years, because of the low price offered by silkmen for cocoons, the farmers have already found silkworm-cultivating no longer profitable, and have been converting their mulberry fields into rice fields. It has been reported that in Wusih and Kiangyin, the cocoon-producing center of Central China, the mulberry fields were reduced about two-thirds within a short span of three years from 375,073 mow in 1930 to 138,000 mow in 1932. After passing through the bitter experience of this year, the farmers, it is feared, will likely further cut down their mulberry fields. If this tendency continues the end of China's silk industry will be only a matter of time.

Filatures did not resume their operations until the latter part of June. Of the total filatures about 190 in number in Central China, only half of the number were opened and kept running for the rest of the year. In face of the depressed silk market, most of the silkmen closed down their establishments indefinitely, while those who had surplus cocoons on hand had to open their filatures to finish their raw material.

In spite of the fact that less than half of the local filatures were in operation and that thousands of workers were left unemployed, those who were fortunate enough to secure employment were still not satisfied with wage payment and working hours. At the end of June, more than twenty filatures in Hongkew district were tied up on account of the labor trouble for ten days. Then again in the latter part of September, in demanding an increase of wage from the reduced payment of 42 cents to the original figure of 58 cents a day, workers in fifteen filatures in Chapei and Hongkew went on a strike for two weeks.

The labor situation in Wusih was not any better. In October, all the operating filatures were closed down for more than two weeks by a general strike of silk workers. During the strike, two filatures were partially destroyed by the agitators and the police force had to be summoned to curb the activities of strikers.

Throughout the year the market was dull with such a consistency that it became monotonous. The Shanghai "war" had a great repercussion on silk business which was completely strangulated with a little buying and selling during the first six months. The local godowns were packed to capacity with unsold silk, and silkmen were in great financial distress. In the meantime, the price of raw silk was steadily declining and reached the bottom in August, when Grade B silk was sold at around Tls. 500 per picul as against more than Tls. 1,000 two years ago. In September, silkmen were given a little breathing space, when the market was somewhat revived with some demand from foreign customers. But this revival was only a short-lived one, and in October the price againt turned downward. In November, silk was quoted at around Tls. 540 per picul and the market was very quiet. This downward trend was arrested in December, when foreign customers began to buy silk for the next year and the market was registered with about Tls. 60 increase.

Though the cocoons were exceedingly cheap this year, yet silkmen have still lost money in selling their silk at such low prices that they were unable to cover their cost of production. Moreover, those silkmen who have had old stocks on hand (that is, silks of the previous season) could not even recover half of the cost of production when selling their products at the present market price, as they had paid high prices for cocoons last year.

Raw silk, in common with many other commodities, has been cursed with over-production. For years, the complaint has been that over-production of Japanese silk has been one of the principal causes of depressing the world's silk market. On many occasions, in response to the appeals of Japanese silkmen, the Japanese Government had either to buy or to advance money on silk to relieve the depressed market. In face of financial distress, the Japanese government had to find some outlet to dispose of its large silk holdings.

The Surplus Stocks in Japan

Thus in May, the Japanese government, with a view to disposing of its large silk holdings in order to raise money for financing the Manchurian and Shanghai military adventures, entered into a contract with E. Gerli & Co. of New York, who agreed to purchase the stocks for a lump sum of G.$16,320,000. The prospect of releasing this large quantity of raw silk on the N. Y. market further depressed the silk trade. This drew stiff objection from Japanese silk interests, hence the Japanese government was said to be compelled to repudiate its contract with the N. Y. firm.

How the Japanese government disposed of its large silk holdings has remained unknown. That this huge quantity of silk has constituted a great menace to the silk market is a matter of certainty. In June, some quantity of Japanese silk was even imported to China and sold at a very cheap price to the Chinese weavers. At one time it was generally feared among Chinese silkmen that the influx of cheap Japanese silk would further depress the local silk market, but their fear was soon assuaged when they found that Japanese silk was of very poor winding quality and could not be used by Chinese silk weavers.

With the drastic fall of Japanese yen from its normal value of just under half of an American dollar to the neighborhood of twenty gold cents, the Japanese silkmen have had an edge over the Chinese silkmen in selling their silks to American consumers, because they can sell their silk at a much cheaper price than they can otherwise afford to do.

In order to assist the Chinese silkmen in solving different phases of China's sericultural problems, the Chinese government invited, through the League of Nations, an Italian expert, Dr. Benito Mari, to come over to China. Dr. Mari arrived in China in the first week of November, and will stay in China about six months. It is hoped that his findings will be beneficial to Chinese silkmen in their endeavor to reconstruct China's silk industry.

In conclusion, it must be said that 1932 is another bad year for silk industry. The past picture is dark enough, and silkmen who have suffered losses successively for the past few years are apt to look at the future business prospect through the glasses of pessimism. For the time being, we can not yet detect any sign pointing to the immediate revival of silk business. Inasmuch as silk is still considered by many as a luxurious article, its demand is especially sensible to the change of the world business conditions. Since prosperity is still far from being 'around the corner", we, therefore, can not view the future silk business with a hopeful outlook.

Shanghai, Dec. 26, 1932

Is Japan-Manchukuo Economic Bloc a Reality or a Dream?

(By the Review's Tokyo Correspondent)
(Translations from various Japanese publications)

A Bird's-Eye View of General Opinions

Baron Kimmochi Okura, Chairman of the Soviet Research Institute, (Keizai Orai): The national cry for the Japan-Manchukuo economic control is no other than the expressed mortification of the Japanese mind ever anxious to find a way out of the straitened economy.

Declaration of the All Japan Labor Federation (Labor Economy): First of all both Japan and Manchukuo must by all means quit the capitalistic system. Should the bandit regime be replaced by the squeezing administration of capitalism, the true significance of Japan's advance to Manchukuo will be lost.

Declaration of the Economic Research Commission of S. M. R. (special volume): The exploitation of Manchuria must be left to the free activities of large capitalists; reckless State control over the enterprises will prove hindrance to smooth development.....No Japanese capitalist would be willing to risk his capital on the same interest as at home. Therefore, if he is to be satisfied with smaller profit than that at home due to the yoke of economic control, before he meets with the exclusion agitation of Manchuria he will quit the idea of making the expedition.

Major Jun Ikeda (Chugai Zaikai): With the object of building up a region free from capitalistic squeezing, in some quarters they advocate the plan of enforcing an extreme control of economy in Manchuria. This is valuable only as an idea. It is a utopian fancy to hope to establish an economic control over the primitive industry of Manchuria. Should a highhanded measure be introduced in the control, all foreign investment would be checked. Exploitation of Manchukuo without capital is a dream. If substantial flow of Japanese capital is compelled, a drastic control will have to be resorted to in order to revise the home economic system in conformity to that of Manchukuo. An economic crisis at home will then follow. The Military circle declared that no capitalism shall be recognized in Manchuria, but I believe this is a misrepresentation, though evils attendant on capitalism must of course be removed.

Sadajiro Kawamura, Acting Director of the Mitsui Bussan Kaisha (Jitsugyo-no-Sekai): What is needed for effective exploitation of Manchuria and Mongolia is the advent of a large company like the S. M. R., and when established it must not grudge putting ten or twenty million yen yearly into the enterprise for five or six years. It is only by this far-sighted scheme that the Manchurian resources can be effectively developed. The First and Second Five Year Plans of Soviet Russia may be a good example. Some say that this is a good idea but is only valuable as such, for it is devoid of practicability especially when we are hard hit by depression. The whole thing however depends upon the firm determination of the nation just like that at the time of the founding of the S. M. R.

Nagayuki Takayama, President of the Oriental Colonization Co. (Tokyo Nichi Nichi): The Japanese being impatient by nature may think of introducing into Manchukuo the advanced conditions of Japan and Europe, but it must be remembered that the clash of interests may be unavoidable should we fail to respect its traditions and standing. Our company has invested huge sums in various enterprises in Harbin, including an alcohol factory, but no profit has been made on them.

Baron Seinosuke Go (Tokyo Nichi Nichi): It is one thing to declare that we make use of Manchurian resources for our manufacturing industry, but it is quite another thing to find ways and means for utilizing each one of those resources. The railway enterprise may be surest but, what, if there is no freight to convey? Rice cultivation there would cost far less than in Japan, but what use is there to add to what is already more than sufficient? Indeed, the Government encouraged growing rice in Formosa and Chosen only to aggravate agrarian difficulties at home. The same can be said in regard to coal mining. From every point of view five or ten years may be required before reaching the stage of profit making. This accounts for most foreigners' making pessimistic forecasts. Nevertheless, it is true Manchuria is a treasure-house; only it requires patient exploitation by large capitalists.

Meijiro Miyajima, President of the Nissin Cotton Spinning Co. (Jitsugyo-no-Sekai): Manchuria ranks second to none in that it abounds in natural resources. It has long been our economic policy to form a firm bloc with the district. From the viewpoint of economic control I believe it advisable for our manufacturing industry to utilize Manchurian coal and iron rather than sticking to unproductive home mines. All the jobless thus created can be sent to mines in Manchuria. And on the other hand by putting restriction on the number of coolies coming from the Shantung district in favor of immigrants from Japan, the tense unemployment atmosphere at home may be mitigated to some extent. Cotton yarn and piece-goods may for some time be unable to find brisk business there but the imports from Shanghai will be completely checked in near future and in which case our goods will literally monopolize the market. The proposed preferential tariff is not necessarily unavoidable, for we are confident of our power to lead the other countries even on the same footing.

Takeo Suzuki, ex-President of the Chosen Bank (Kaizo): To effect a perfect bloc system as is advocated in some quarters may be unavoidable as a means to meet an economic blockade, but is quite out of the question at present from the viewpoint of national politics as well as international relationship. What requires our serious attention above everything else concerning the Manchurian economy is its international significance. Of the total amount of import and export trade of the new state that with Asia comes up to 82% (Japan occupying 39.8, China proper 28.7%, Russia 9.5%), Europe 11.8%, America 4.1%, and others 4.1%. If, therefore, we form a Far Eastern bloc with Manchukuo as was advised by the Commerce Minister, the percentage of Manchukuo's foreign trade will be 44.4% within the bloc as against 55.6% without. This glaring fact requires our cool reflection.

Dr. Yoshie Saito, Adviser to the Government of Manchukuo, formerly a Director of the S. M. R. (Central Review): The only effective means to provide us with work and bread is to start manufacturing industries on a large scale in our country, utilizing iron, coal, soda, oil, etc., of Manchukuo. This I mean to start in Japan proper or in Chosen, for the industry started in Manchuria will only fatten capitalists in utter disregard of the masses. Indeed, the capitalistic control of Manchurian enterprises will serve to aggravate the social, economic and political troubles of our country. The manufacturing industry in Manchuria is Manchuria's and not Japan's.

The Fature Currency Standard of Manchukuo

Mr. Suzuki, ex-President of the Chosen Bank, (Revue Diplomatique): In view of the fact that Japan will never quit her gold standard the difference in currency standard between Manchukuo and Japan is a serious question which requrires special attention. The more intimate grows the economic relations of the two countries the oftener will be the occurrence of troublesome questions in counnection with the difference of the currency standard, because everything within the new state will be taking more concrete shape and any revision in the currency system may cause irretrievable cracks in the financial structure unless it is effected in an earlier stage of the founding of the state. Therefore I earnestly support the view that at this most opportune moment the gold standard ought to be adopted, defying all temporary inconveniences.

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Tsuyoshi Osaki (Revue Diplomatique): The contention of the ex-President of the Chosen Bank, Mr. Suzuki, sounds plausible in view of the fact that none of the existing economic blocs on the surface of the globe can yet stand on its own feet but is obliged to depend on others and thus it is as it were a link of an economic chain. Judging from the fact that the principal countries forming such bloc calculate the value of things based on gold, Mr. Suzuki's contention may be justifiable. But the same theory is not applicable to the case of Manchukuo. As all are well aware the Manchus have long been accustomed to silver as the standard of valuation. Indeed most of them do not know of the existence of any other kind of coins. Consequently, were they compelled to observe the gold standard their inconvenience and consternation might be unfathomably great. Who knows but that their discontent and curse may not lead up to a breakdown of the construction work?

The True Object of the Japan-Manchukuo Bloc

(By Hisazo Sumino—Economist)

The proposed economic bloc is based on Japan's economic self-defence; Japan is too small and too poorly supplied with natural resources to meet her ever increasing population. Unless reasonable measures are taken, her foreign trade will decay. The League of Nations, the palace of the world peace, pays little attention to the economic conflicts when it is absorbed in extermination of war. True, it lacks sufficient power to deal with international economic controversies. When it upholds racial self-determination and disarmament as its ideal, no sympathy it shows toward the economically harassed nation. Furthermore, it is miserably helpless to check the arbitrary attitude of influential Powers. Under the circumstances Japan cannot help taking due self-defensive measures for herself as well as for peace in the Orient. Of this sincere consideration is born the idea of the Japan-Manchukuo economic bloc, and since the two countries' destiny rests on the success or failure of the development of the bloc we are duty bound to look after the healthful progress of the scheme.

It is inadvisable to place the Commerce Office at the center of the economic control, for in such case the national policy may be undermined for reasons stated below. Although the importance of the formation of the economic bloc has come to enjoy national support, yet there is at its back a great inconsistency and contradiction. By this I mean the group of those who look out for a chance of profiteering under the cloak of patriotism.

In placing too much importance on the protection and development of home industry it is not seldom that the Commerce Office neglects taking into account the interest of consumers. It still clings to the time honored policy of favoring cotton spinners when its support is urgently needed by textile men who are consumers. Furthermore, in consequence of the loss of popular confidence in party politics, Ministers are likely to fail to act upon their convictions and thus betray themselves as well as the public. For this disgusting tendency, however, the officials in charge are not to be held responsible; it is degenerated political conditions and almighty capitalism that ought to be blamed.

Under the existing circumstances the most reliable way to conduct an economic control based on national policy, is to create a gauge to which all kinds of industries must be applied by the hand of a man of great influence and pure character. And then they should at once be put into practice according to the direction of the gauge, for, if delayed, they may be nipped in the bud by sharp practice of masked patriots. (The writer is the Director of the Osaka Japanese-Manchurian Association).

Tariff Policy of Manchukuo

(By Dr. T. Ueta—Revue Diplomatique)

Manchukuo declared independence of customs business in September last retaining unchanged the old customs tariff established by China. Inasmuch as the tariff now in use was compiled with an eye on the industrial development of China proper, it must sooner or later be revised.

The rumored Japan-Manchukuo tariff union and preferential tariff will sound plausible but in reality they are devoid of practicability as far as the existing circumstances are concerned. Since it is our established policy as well as Manchukuo's to uphold open-door and equal opportunity on the Chinese Continent, to resort so abruptly to the creation of such a tariff bloc between the two countries will prove detrimental to our national honor viewed from the point of international faith. Besides, far from gaining we shall lose much economically through such a measure. The unfruitfulness of the policy is quite clear seen from the difference of monetary standard. There are besides a lot of stumbling blocks before the contemplated economic bloc. To lay too much stress on the Japan-Manchukuo economic relactions in utter disregard of the importance of Sino-Japanese and American-Japanese relations, is a bad influence of nationalism which has been exercising power in our country since the outbreak of the Manchurian incident. The nation is duty bound to promptly dispose of such a perverted thought. It is out of the question for the people to think of depending for their living on the formation of an "exclusion bloc" with poor Manchuria of only thirty million inhabitants, when their yearly foreign trade reaches to a considerable figure of 3 billion yen even in the midst of the whirlpool of universal depression and when they have to do more extensive business with the world markets. Should Japan monopolize the Manchurian market, China as a retaliatory measure would be sure to fall back upon boycotting Japanese goods besides building up high tariff walls. Whatever may be said about our export to China, there is no doubt but that the Chinese market is more important for our export business than Manchukuo's. Now as regards our imports from Manchuria, soya beans for oil manufacturing now on the free-list has been brewing among home agrarians a sensational protest. This is nothing but an example, but if the straitened economic conditions of our farming community are taken into serious consideration it is evident that the projected Japan-Manchukuo tariff union would be hailed by the agrarians with protest. Naturally, it is quite out of the question to place soya back on the free-list. The same can be said of Fushun coal. That the natural resources in Manchuria are almost inexhaustible is widely circulated, but in reality there is nothing but coal that can answer the purpose of prompt utilization. If we have to restrain the import of this very coal, we cannot make out for what purpose the country looks after the new state. Thus, from viewpoint of the trade between the two countries the Japan-Manchukuo tariff bloc is little effective, and what is worse still when carried into effect it will cast a dark shadow over the whole of our foreign trade.

The existing tariff of Manchukuo must be revised as soon as possible culculated from its own standing, and the rate should be as low as the new state's national finance permits.

If the revision of the tariff is reasonable the blow to the Chinese exports into the new state will accordingly be alleviated. Manchuria is primarily a colony of the Chinese no small number of them being sent from north China as seasonal laborers. It is therefore a fruitless attempt to seek a paradise in Manchuria at the expense of the Chinese. Success or failure in the Japanese management of Manchuria depends upon the liquidation of the narrow-minded nationalism. The solution to the tariff question must also be founded on this principle.

Inspection Trip to Manchuria

(By Dr. T. Yauchihara—Kaizo)

Manchuria being the seat of the incident I had expected to see a tense atmosphere, but strange to say I found it quieter and more composed than Japan.

I have heard of a cry "Business boom comes from Manchuria", but not a sign of business improvement I could find there even hotels and waitresses being caught in the same gloom since summer due to increased cases of bandit assaults. As far as I could ascertain it was generally believed that if it had not been for the incident of September 18 last year or a similar case there was no knowing what had become of the Japanese rights and interests. Generally speaking I may conclude that while Japan lingers in the stage of "expectation" Manchukuo has entered the period of "reality." I often heard businessmen remark in Manchuria, "Far from lacking recognition Japan overestimates Manchukuo" or "Don't believe all what you hear about Manchuria". Although I understand Manchuria abounds in mineral deposits, yet natural resources are not always economic resources. That that which does not meet productive

cost cannot be produced is a common principle of economic science. To cite an instance, viewed from the economic standpoint of immediate utility the fact that there is a hidden treasure of aluminium ore in Manchuria is tantamount to saying there is nothing but mud. One more instance is wool. The Manchurian wool is rough and unfit for the home textile industry. What is worse still, only 1,000 grams can be available per head. This is why patient endeavor is required for Manchurian exploitation.

There are no small amount of fancies woven in the idea that Japan's economic self-sufficiency can be attained through the formation of an economic bloc between Japan and Manchuria. Such a measure of self-supply, however, is indispensable only when the country stands isolated from international economy and thereby compelled to get required stuff for both war and national economic purposes. The people should reflect upon whether such a policy may not be inconsistent with the spirit of the present age. (The writer is a professor of the Tokyo Imperial University).

Export of War Materials from Britain Decreases

A recent *United Press* telegram from London stated that British exports of arms and ammunition to China in recent months have been very little higher than in previous periods. Total exports to China during the first nine months of this year have been comparatively light, about enough to keep one small battle going for one afternoon.

In accordance with an Anglo-Chinese agreement concluded about two years ago, the British Board of Trade will not license the export of war materials to China without the written approval of the Chinese Minister in London.

In practice practically all war materials exported to China during the past two years have been consigned to the Chinese government itself, or to international police forces in Shanghai and other Chinese treaty ports.

No firearms or war materials can be exported from Great Britain without a Board of Trade license. Licenses for sporting rifles and so forth are issued practically automatically but licenses for exportation of war materials are more difficult to obtain. The Board of Trade always obtains the views of the Ministry of War, the Admiralty and of the Foreign Office before granting such licenses. Many such licenses have been refused because of foreign office, naval or military objections.

Great Britain's export trade in arms and ammunition has been falling steadily, just like her trade in less spectacular commodities. Total exports of arms and ammunition, including sporting firearms and explosive used exclusively for industrial purposes for the whole of 1931 were valued at only £3,281,050, compared with £3,969,372 in 1930 and £5,039,836 in 1929.

For the first ten months of this year such exports were valued at £2,809,033, compared with £2,831,866 for the same period of 1931.

China's purchases during the first nine months of this year included:

54 machine guns.
22,047 pounds of cordite.
110,231 pounds of T.N.T.
661,000 machine gun cartrides.
500,000 rifle cartridges.
2,000,000 Mauser pistol cartridges.
500 high explosive bombs.
500 sets of practice bomb components.

There were also such exports to China as eight aircraft gun mountings, two bomb carrying gears, one bomb rack and sight, one gun camera and sight and one 7.92 millimeter machine rifle.

During September no licenses were issued for the export of arms to China.

Many of Japan's arms purchases from Britain are of shells for big naval guns, obviously not designed for fighting Chinese "bandits" in Manchuria, but even those purchases are not increasing in volume.

U.S. Army Abandons Plan of Semi-Military Control in Hawaii

Abandonment of the effort to place Hawaii under semi-military control was announced by Victor Houston, the territorial delegate to Congress at Washington Dec. 15. He said he had been assured that the move had been dropped, and that the islands are entirely quiet.

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Through tickets are issued and passenger's baggage registered through between the important stations on the Peping-Liaoning Railway and the South Manchuria, Chosen (Korean) and Imperial Japanese Government Railways. At Peiping connections can be made with the Peping-Hankow Railway and with the Peping-Suiyuan Railway and at Tientsin connections can be made with the Tientsin-Pukow Railway, for Tsinanfu, Nanking and Shanghai.

For information as to rates, schedules, accommodations, etc. apply to any Tourist Bureau, or communicate directly with the Superintendent of Transportation.

IMPORTANT NOTICE

Owing to the Japanese occupation of Manchuria, tickets are only sold to Shanhaikwan where the Peping-Liaoning Railway crosses the Great Wall. The Chinese Government Railways assume no responsibility for transportation or safety of passengers beyond Shanhaikwan.

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No. 2

Chinese-Russian Relations---Past, Present and Future

BY C. Y. W. MENG (孟長渢)

SINO-RUSSIAN relations in the 20th century were begun when Dr. Sun Yat-sen, in the name of the "Generalissimo of the South China Government" sent a telegram of congratulation to Lenin, the leader of the Russian Revolution, when the Revolution succeeded in bringing about the downfall of the former imperial government in Russia. Lenin also appointed representatives to come to Canton to return the courtesies to Dr. Sun. Since then, the friendship between two countries has been improving.

Karakhan Declarations of 1919 and 1920

In July, 1919, a manifesto from the Moscow government was addressed by M. Leo Karakhan, assistant commissar for foreign affairs for Soviet Russia to "the ministers, civil governors, bureaus, and People of the Chinese Republic." The manifesto maintained that "all people, no matter whether their nations are great or small, no matter where they live, no matter at what time they may have lost their independence, should have their independence and self-government, and not submit to being bound by other nations." Denouncing secret treaties, Moscow offered to negotiate with China on the following basis:—

1. The territory seized by the former imperial Russian government to be returned to you.
2. The Russian government will restore to the sovereignty of China the Chinese Eastern Railway and the mines and forests appropriated by the former imperial Russian government, and it will not ask one cent therefor.
3. This government will not accept the Boxer Indemnity payments.
4. The special privileges for Russian subjects established by the former imperial Russian government and China are null and void. All extraterritorial privileges are also cancelled.
5. In addition to the matters noted above, all agreements made by the former imperial Russian government, acting independently or with Japan, or with the Entente powers, with the envoys of China, in which there are unfair points, will be null and void.

Sun-Joffe Declaration

In August, 1922, M. Joffe was sent to Peking by Moscow. "While the West is searching for outlets for economic and financial alliance," declared M. Joffe, "tossing about from one international conference to another, the East is accumulating strength and becoming more and more a powerful factor in international politics." He remarked also that "the position which China is gaining every day in international politics indicates the necessity of establishing friendly relations between Russia and China on a basis of equality and strict observance of sovereignty between both parties. Soviet Russia is watching with great attentiveness the national struggle in China, since Soviet Russia is the only country which rejects all imperialistic policies. With hope we watch the growing national consciousness of the many millions of Chinese people, because, in line with the Russian Revolution, the awakening of the Chinese people is a factor of immense historical significance." Announcing that he had come to establish "good, friendly relation between the Russian and Chinese peoples," M. Joffe opened a journalistic and oratorical campaign in Peking which made a deep impression upon the students and many of their instructors.

M. Joffe then called on Dr. Sun Yat-sen and in course of several interviews after declaring that the "most cordial and friendly" relations existed between them, the two men issued a joint statement in Shanghai on January 26, 1923, which made it clear that:

> "Dr. Sun Yat-sen holds that the communist order or even the Soviet system cannot actually be introduced into China because there do not exist here the conditions for the successful establishment of either Communism or Sovietism. This view is entirely shared by M. Joffe, who is further of the opinion that China's paramount and most pressing problem is to achieve national unification and attain full national independence; and regarding this great task he has assured Dr. Sun Yat-sen that China has the warmest sympathy of the Russian people and can count on the support of Russia."

Arrival of Comrade Borodin in Canton

In the following month Dr. Sun returned to Canton a fourth time to head a South China Government. In August (1923) Comrade Michael Borodin arrived from Russia to act as his adviser. From this time dates the close co-operation of the governments of Russia and Canton. Soviet influence was augmented by the arbitary action of the powers—Great Britain, the United States, France, Italy, Japan and Portugal - in sending gunboats and warships to Canton in December consequent upon the threat of Dr. Sun Yat-sen to seize the customs, the surplus revenues of which, in accordance with international agreements, were being sent to the central government in Peking. This action caused the Southern leader to state publicly: "We no longer look to the West. Our faces are turned toward Russia." More Russian representatives were sent. In June 1924, Dr. Sun established the Whampoa Academy for the training of officers to lead his armies. To help in this work some thirty Russian military experts shortly arrived. Others appeared later for the same or for other technical work.

The First Restoration of Diplomatic Relations

On May 31, 1924, the Ministry of Foreign Affairs announced the signing on that day of a Sino-Russian agreement on general principles and seven declarations, and the restoration of normal relations between the two countries. By the new treaty Russia relinquished extrality for its nationals and gave up its concessions at Hankow and Tientsin. The legation and the consulates throughout the country were restored and all property of the Russian Orthodox Church was turned over to the Russian government to be held "in accordance with the laws and regulations existing in China regarding property holding in the inland interior." Russia renounced her remaining share of the Boxer Indemnity which was to be administered "for the promotion of education among the Chinese people" by a commission of three, two to be appointed by China and one by Russia. The two governments jointly agreed not to "recognize as valid any treaty, agreement, etc. concluded between Russia since the Czarist regime and any third party or parties affecting the sovereignty rights and interests of the Republic of China." China's sovereignty over Outer Mongolia was specifically recognized and evacuation of Russian troops therefrom was to be arranged by a commission. All the privileges that China had taken from Russia in 1920 by presidential mandate were now confirmed to China by a treaty which had not followed a war.

Karakhan-Koo Agreement

The Karakhan-Koo (Dr. Wellington Koo) Agreement on General Principles and the Agreement for the Provisional Management of the Chinese Eastern Railway were signed on May 31, 1924. Article IX of the former stated first that the railway is a "purely commercial enterprise"; China's "right of sovereignty" was recognized as well as her right to redeem the railroad "with Chinese capital." Of great significance were the provisions that the future of the railway was to be determined by the two governments" "to the exclusion of any third party or parties," and the recognition of the legality, for the time being, of the contract of 1896 for the construction and operation of the railway. The Agreement for the Provisional Management provided for a board of directors and a board of auditors. Of the first board five, including the president, were to be appointed by China, and the remaining five by Russia. Of the second board mentioned, three were to be Russians and two, including the chairman, were to be Chinese. The managers were to be Russians; another assistant manager was to be Chinese. Chinese and Russians in equal numbers were to be employed on the railway, but Russians already employed were not to be dismissed in order to carry out this principle.

Split Between the Kuomintang and the Communist Party

On April 6, 1927, on the ground that the Russian legation was used as a base for communist propaganda, Marshal Chang Tso-ling actually despatched troops to search for the communists in the Russian legation. The split of Wuhan-Nanking governments and the inauguration of the "Purification Movement" by the Kuomin'ang, marked the complete break between the Kuomintang and the communist party.

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Severance of Diplomatic Relations with Russia

On December 11, 1928, the communist uprising took place in Canton. On the ground that the communist uprisings in China were due entirely to the fact that communists were able to use the Russian consulates and commercial organs in China as a base for their activities, the National Government declared on December 14, 1928 that the diplomatic relations between Russia and China be severed. The National Government further ordered the arrest of the communists throughout the country.

(8) Russian Ultimatum to China

On May 27, 1928 the Chinese police after having discovered the secret meeting being held in the Russian consulate in Harbin, made another raid on the consulate and arrested many Russian and Chinese communists. On July 10, 1929 the Chinese director of the Chinese Eastern Railway Administration ordered the dismissal of all important Russian officers and employees in the Administration. The Russian government then presented an ultimatum to China giving three days for China to give a satisfactory reply to the Russian "three points", but China remained remarkably "calm."

Habarovsk and Moscow Conferences

Immediately after the severance of diplomatic relations, war broke out between the Chinese and Russian forces. Marchuli was bombed, invaded and occupied by the Russians. China appealed to theAnti-War Pact for help.

On November 27, 1929, the Chinese minister in Germany through the German Foreign Office, notified Moscow that the Chinese would like to come to an amicable settlement with Russia over the dispute. The Sino-Russian Parley was held in Habarovsk on December 16. An agreement was signed.

Mo Teh-hui was sent to Moscow for a conference. He reached the Soviet capital on May 9, 1930. Nanking claimed that her delegate was only authorized to negotiate the dispute over the C. E. R. adminintration, but Moscow claimed that in accordance with the Habarovsk Agreement the negotitation should embody all Sino-Russian outstanding problems, including the restoration of diplomatic relations between the two countries, thus causing a deadlock in the negotiations for nearly two years.

Second Restoration of Diplomatic Relations with Russia

To the suprise of all, the resumption of Sino-Russian relations was announced on December 12, 1932, in Geneva, when M. Litvinov and Dr. W. W. Yen issued an identic note saying:

> "In pursuance of recent conversations during our pleasant meeting at Geneva, I am authorized to inform you that being desirous of promoting in the interests of peace the friendly relations between the two countries, my government has decided to regard normal diplomatic and consular relations formally re-established as from today (December 12, 1932)."

Story of the Negotiations

As a matter of fact, the resumption of diplomatic relations with Russia was decided upon at the meeting of the C.P.C. (Central Political Council) held on June 6, 1932. It was intended that when the negotiation for the resumption of diplomatic relations was in progress, the National Government would also negotiate with the Russian Government for a "Non-Aggression Pact." But while the negotiations were in progress, the news unfortunately leaked out. The Japanese did whatever they could to impede the progress of the negotiations. The former Japanese ambassador to Moscow then proposed to the Tokyo government to conclude a "non-Aggression Pact" with Russia as a "counter-proposal" against the Chinese action. Such proposal was approved by the Tokyo government. The former ambassador to Moscow was sent to Moscow to open negotiations with M. Karakhan for a non-aggression pact. When Mr. Matsuoka was on his way to Geneva, he purposely called on M. Karakhan to continue the negotiations. But due to the conflict of interests and lack of sincerity on the part of the Japanese, no result was achieved. Dr. Lo Wen-kai, the Chinese Minister of Foreign Affairs, knowing that it was no longer advisable to carry on the negotiations in Moscow, instructed Dr Yen to conduct the negotiations with M. Litvinov in Geneva. The success in the negotiation means, of course, a complete failure of the Japanese diplomacy to "pay-off" between China and Russia! The refusal by the Soviet authorities to hand over General Su Ping-wen and many others to the Japanese authorities clearly indicates that

(Continued on page 235)

Wellington Koo and Alfred Sze Explain China's Case Abroad

Whatever China may lack in the way of military strength is amply made up by the ability, loyalty and brilliance displayed by its representatives abroad. Among the many able men that are presenting China's case to the world none have served their country better than Dr. V. Wellington Koo, Chinese Assessor on the League of Nations Committee of Enquiry and one of the principal delegates at Geneva, and Sao-ke Alfred Sze, former Minister to England and at present acting as special representative for the National Government in the United States. The following are extracts of a statement made by Dr. Koo at Geneva, and an address made by Dr. Sze, on the occasions indicated below.

The Chinese in Geneva

BY V. K. WELLINGTON KOO*

We have recently heard a lot from Japanese sources criticising conditions in China. One could easily understand the purpose of such propaganda work, as at the forthcoming meetings of the Council and the Special Assembly, the League will discuss the Lytton Report and come to a momentous decision on the Manchuria dispute. The fact, however, is that China's efforts of unification and stabilisation have been on more than one occasion delayed by Japan's policy of obstruction. As illustrations, one still remembers Japan's sudden despatch of troops to Tsinan in Shantung Province in 1927 and 1928 to prevent the advance of the Chinese Nationalist Army to North China, and Baron Hayashi's mission to the Three Eastern Provinces in the autumn of 1928 to prevent the Chinese authorities from pledging their allegiance to Nanking and hoisting the National flag in 1929. For, the vision of a strong and unified China, as was indicated in the Lytton Report is disturbing to the Japanese. Nevertheless, in spite of many difficulties from our neighbor who should really help instead of hindering our work of unification, we have achieved commendable success in the field of rehabilitation and reconstruction. The Lytton Report agrees with our view that "considerable progress has been made."

It has also been said that the Chinese are anti-foreign. But it is a fact that thousands of foreign nationals are living safely in the interior of China. Japanese lives and property have been protected throughout China, even during the last 14 months, when Japanese soldiers have been over-running Manchuria and bombarded Shanghai. More than this, China is availing herself in an ever-growing measure of the technical skill and knowledge of foreign experts to collaborate in various fields of government work. Only recently, we have invited, through the League, two French agricultural experts and a Commission of international educators headed by a distinguished Frenchman, Professor Langevin. There is no xenophobia in China.

Speaking of the interests of other Powers than Japan and China, it may be pointed out that their interests in our country are largely trade, whereas those of Japan are centered on a policy of territorial expansion on the Asiatic Continent. Japanese aggression in China is a real disturbing factor to trade and prosperity in the Far East.

The effort of Japanese spokesmen to concentrate attention on conditions in China is obviously to confuse public opinion and to conceal the real issue. The vital question in the Manchurian situation is whether the new order of international life, based upon the Covenant and the Kellogg-Briand Pact should be abandoned in favor of the naked policy of agression dictated by selfish militarism.

*Extracts from a statement made at Geneva commenting on statements by the Japanese delegate to the League, Mr. Matsuoka.

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Manchuria and the Lytton Report: A Chinese View

BY SAO-KE AFRED SZE

(In the course of an address before the American Academy of Political and Social Science at Philadelphia, November 28, 1922.)

It is necessary for me to say, first of all, that I am not in a position to speak as an official of the Chinese Government. What I shall have to say will, therefore, represent only my own personal views.

I wish to make this observation concerning the report of the Lytton Commission with regard to the fact that it is an unanimous one: It is highly satisfactory that this unanimity should have been secured, but it is worth while to consider the manner in which, in all probability, this unanimity was obtained. Anyone who has served upon a committee or board or commission composed of a number of persons and dealing with highly controversial matters, whether of fact or of principle, knows that complete agreement upon the report to be made is seldom obtained except by persuading those members of the Commission, board or committee who have strong views to moderate them, or, at least, to moderate the language in which they are to be stated. It is only when we have minority as well as majority reports rendered that we find the views of the individual members strongly and emphatically expressed. It is, of course, impossible to say, with reference to the report of the Lytton Commission, to what extent certain of its members felt constrained, for the sake of obtaining a report which all would consent to sign, to forego statements of fact or characterizations of conduct which they believed the facts would warrant. But, looking only to what is said in the report, it is clear that the Commission as a whole thought that Japan had acted in Manchuria and at Shanghai without justification under generally accepted principles of international law and practice, and in violation of her undertakings as embodied in the Covenant of the League of Nations and the Kellogg Peace Pact. And it is established with a reasonable degree of certainty that Lord Lytton specifically advised the Japanese Foreign Office that, should that "recognize" the so-called State of Manchukuo, she would violate the Washington Nine-Power Treaty, under which she had pledged herself "to respect the sovereignty, the independence, and the territorial and aministrative integrity of China."

That some of the Commission, and, perhaps, all but one of the Commission felt that the language of the report should be more strongly reprobative of Japan than it is, is asserted by the usually well-informed Diplomatic Correspondent of the *London Sunday Times*, who declares: "When the full official story of the Commission's work is told, those who know it allege that it will be of sensational interest." (*Sunday Times*, October 9, 1932.)

I am not prepared to say that, from the broad viewpoint of expediency, the Commission was not justified in clothing its report in temperate language. But I do think that, were it not for this matter of expediency, the wrongful acts of Japan would have been painted by the Commission in meuh stronger colors. I also believe that, except for this same matter of expediency, the recommendations of the Commission would have been much more drastic in character as regards what should be expected of Japan by way of a prompt and complete cessation of her military aggressions against China, the making by her of restitution and compensation to China for the wrong already done, and the purging of herself by Japan, so far as possible, of her guilt impairing the sanctity of solemn treaties, and weakening the instrumentalities for the maintenance of international peace which, during recent years, the world has so laboriously constructed.

As regards the specific suggestions made by the Commission with regard to the measures to be taken by the League or by China and Japan, it is to be pointed out that they concern the bringing into existence a situation in the Far East which, while regardful of what are deemed to be true interests of China and Japan, will tend to prevent future international discord, and thus promote the interests of the other Powers as well. However, no attempt is made by the Commission to indicate the prac-

tical means whereby Japan may be constrained to withdraw her troops from the soil of China, to confine her policies toward China to the legitimate fields of commerce, finance and friendly cultural co-operation, and to make due compensation to China for the grievous wrongs done to her during the last fourteen months. To me, it seems doubtful whether any successful scheme of settlement of the present situation can be devised which does not, as a preliminary or collateral feature, make provision for these matters. At the same time I can well see why the Commission should have thought that it was not necessary, or perhaps not desirable, that it should attempt to advise the Council as to what it should do in these regards. In other words, that the Commission felt that it could best help the Council by confining its suggestions to those broad measures which it deemed best suited to bringing about relations between China and Japan of a permanently satistfactory character.

Chinese in Malaya Object to Discrimination

Sir Samuel Wilson, Permanent Under Secretary of the British Colonial Office, arrived in Singapore Dec. 1 to investigate the question of the decentralization of the Malay States and other matters regarding the Straits Settlements.

Questions affecting particularly the Chinese community in Malaya have been brought to Sir Samuel's attention.

The various Chinese Chambers of Commerce met in Singapore Dec. 17 and decided to raise the following matters:

1. The Chinese are strongly against the Alien Registration Ordinance which has now become law—on the ground that it will tend to increase the cost of labor, on account of the landing and residence fees required under the ordinance. All the three Chinese members in the Legislative Council spoke strongly against its introduction during its third reading and one of them said that it was aimed against the Chinese who formed nearly seventy per cent of the entire population of the Straits Settlements and the Federated Malay States. He also pointed out that it was unjust, after they had borne the brunt of the spade-work which involved great dangers to their lives, to place obstacles before their fellow countrymen coming to Malaya by the introduction of the Ordinance.

2. The aspiration of the local born Chinese is to enter the Malayan Civil Service provided they pass the competitive examinations held yearly in England, in accordance with the wishes of Queen Victoria, during whose reign Singapore was founded. Asiatics were admitted into the service until some years ago when Sir Arthur Young, then Governor of Singapore, debarred them from the privilege. At present only candidates of pure British parentage are admitted.

3. Popular representation in the Legislative Council of the Straits Settlements with an unofficial majority instead of nomination as at present is stressed by the Chinese community. The desirability is pointed out of having a Chinese member on the Executive Council, in addition to the Secretary for Chinese Affairs (a civil servant), because nearly seventy per cent of the ratepayers are Chinese.

4. The Chinese consider that the policy of the Government of Malaya should be "Malaya for the Malayans," and not for one section only—that is, a community with a Malayan conscience, closely united with the British Empire and getting the best the Empire has to give.

5. The need for more educational facilities for the Chinese vernacular schools in Malaya, is requested, particularly government aids which mission schools enjoy. The Chinese also urge that an independent inquiry should be made and free education in vernacular schools provided for English education up to a certain standard in addition.

Princess Der Ling Censures Pu-Yi

The newspapers at Nanking December 24 published a report stating that the Government has received a lengthy letter from Princess Der Ling (Mrs. Thaddeus White), bitterly censuring Mr. Henry Pu-yi for participating in the Manchukuo movement and submitting proposals for the recovery of Manchuria. Princess Der Ling has written several books. One of her best known works is entitled "Forbidden City," depicting her life in the old Manchu Imperial palace with the Empress Dowager.

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Reconstruction in China Proceeds Apace

Two New Chinese Gunboats to Be Launched February 1

It is announced that the two new gunboats being constructed by the Ministry of the Navy will be launched on February 1 next. The two gunboats will be named respectively *Kiangnin* and *Hainin*. Each is to have a speed of 13 knots. When these two vessels are launched, construction of six other gunboats will begin immediately. These gunboats are destined to be used for bandit suppression purposes along the Yangtsze River.

Central Agricultural Bank to Be Established

The Agricultural Finance Committee of the Ministry of Industry at a meeting Dec. 16 decided to organize a preparatory office for the projected Central Agricultural Bank. It was also decided to establish granaries in all rice-producing centers. A sub-committee of five was appointed to draft regulations governing these granaries.

Soldiers Help to Build Hupeh Roads

The construction of highways by soldier-labor is proceeding apace in Hupeh province. A telegram from General Hao Meng-lin, Commander of the 54th Division, reports that the 47th Division under General Shangkuan Yun-hsiang is co-operating with the District Governments of Chishui and Lotien in the building of roads near Lotien. The Lotien-Lotoao highway has already been completed. The 48th Division under General Hsu Yuan-chuan has also completed the construction of the Yangchia-feng-Pokow branch of the Hankow-Ichang Highway. The Yokow-Chienkiang highway has been opened to traffic.

Hunan to Spend $11,800,000 on Road Construction

The Hunan Provincial Government, at a meeting on Dec. 7 adopted the measures regarding highway construction decided upon at the recent Highway Conference in Hankow. The following highways will be built:

1. Liuyang-Huanghsien section of the Nanking-Kweiyang Highway;
2. Lichow-Ichang section of Loyang-Shiukwan Highway;
3. Chaling-Yungming section of the Shanghai-Kweilin Highway;
4. Tungcheng (southern Hupeh)—Huanghuashih Highway;
5. Changte-Chiyang Highway.

These five roads, totalling 500 miles in length, are to be completed before the end of 1934. The total cost is estimated at $11,800,000, of which $6,000,000 will be raised by the Provincial Government. A loan for $4,000,000 will be made with the National Economic Council while the balance will be borne by the governments of the districts which the highways traverse.

China's Cotton Production

The Chinese Cotton Statistics Association, Shanghai, on Dec. 15 published its second estimate of the cotton crop in China, as follows:

Area	37,079,835 (mow)	Production	8,094,863 (piculs)

The above figures, which are based on the condition prevailing previous to December 10, 1932, include the returns received from the following eleven provinces, no returns being available from the province of Liaoning.

	Area (Mow)	Yield (Piculs)
Hupeh	5,082,190	1,283,197
Shantung	6,844,176	1,769,354
Shansi	303,450	54,128
Honan	3,482,160	599,013
Shensi	1,449,864	157,884
Hupeh	7,627,250	1,634,350
Hunan	982,685	199,764
Kiangsi	222,688	45,822
Anhwei	918,500	164,327
Kiangsu	8,495,107	1,769,860
Chekiang	1,671,775	417,164
Total	37,079,835	8,094,863

New Silk Loan to Be Issued

For the relief of the silk industry in Kiangsu and Chekiang, the two provincial governments concerned have recently petitioned the Ministry of Finance for the flotation of a loan of $3,000,000 to subsidise silk merchants The loan flotation scheme has already been approved by the Executive Yuan.

Shanghai-Tientsin Aviation Service to Start Jan. 1, 1933

The Shanghai-Tientsin air mail service will be formally inaugurated on January 1.1933, according to information from the China Aviation Company. The air route is 700 miles, with branch stations at Haichow and Tsingtao. Three airplanes will leave Shanghai and Tientsin every week and cover the whole distance in eight hours. The charge per passenger from Shanghai to Tientsin will be $220. The airplane from Shanghai will leave Shanghai at 7.45 o'clock in the morning, arriving at Tientsin at 3.30 o'clock in the afternoon.

China to Have Radiophone Communication with Geneva

Radio and telephonic communication between Nanking and Geneva (and other parts of the world) is expected to be inaugurated shortly. The necessary equipment is now being installed in Nanking.

T. V. Soong, Minister of Finance, is installing wireless telephones in both his Nanking office and his home in the French Concession at a cost of G.$8,000 each, according to a Chinese message from Nanking during the week.

Chinese Increase Motor Car License Fees

At the first meeting Dec. 19 of the Highway Committee for the provinces of Kiangsu, Chekiang and Anhwei and the Municipalities of Nanking and Shanghai, it was decided that a 10 per cent surtax on motor vehicle licences be levied as from Jan. 1, 1933. The proceeds from this source are to be employed exclusively for the construction and improvement of highways linking these provinces and municipalities. The funds will be placed in the custody of specified banks.

It is understood that the committee will hereafter function from the office of the National Economic Council, where it will have temporary quarters.

Mineral and Oil Found in North-Western Kansu

Despatches from Lanchow, provincial capital of Kansu, tell of the discovery of rich mineral deposits at Yumen, in the north-western part of the province. Wei Chen-hua, Magistrate of Yumen, has officially reported to the Provincial Department of Reconstruction for Kansu, that naphtha oil has been found at Shihyuho, a town south-east of Yumen city, while at Hungkow and Hansia, two towns within the Yumen District, gold and coal deposits were discovered.

Chinese Merchants to Boost "National Products" Year.

Various local industrial leaders in Shanghai have decided to observe next year as a "National Products" year during which every efforts will be made for the improvement of national products. A campaign will be started next March with the object of encouraging home production.

Embargo on Rice and Wheat Abolished

The Third Plenary Session at its sitting adopted the proposal of T. V. Soong, Minister of Finance, providing for the cancellation of the inter-provincial embargo on rice and wheat and for the abolition of taxes on such foodstuffs between the different provinces. These taxes have caused dissatisfaction in some quarters and their abolition is consequently a very popular move.

New Railway Station to Be Built at Nanking

The Ministry of Railways has submitted detailed plans for the construction of a new central railway station at Nanking, the site of which will be near the old Ming palaces and not far from the proposed new headquarters of the Central Kuomintang.

Chinese Banks to Assist Farmers

The Ministry of Industry has completed arrangements with the Bank of China and the Shanghai Commercial and Savings Bank to extend loans to the farmers in Tongshan, Yinghsiang (Kiangsu), and Wukiang (Anhwei) as a form of rural relief. Similar facilities will also be available shortly at Hsiaochuang Village, near Nanking, through the Shanghai Commercial and Savings Bank.

New Director for Provincial Mint

Li I-chun, former Director of the Trench Mortar Factory in Liaoning, has been made Director of the Hopei Provincial Mint at Tientsin and concurrently Director of the Hopei Provincial Nitre and Sulphur Bureau.

It may be recalled that prior to the Shenyang (Mukden) incident last year, Mr. Li built the first Chinese-made automobile (truck) which was subsequently exhibited in Shanghai.

National Navigation Conference to Be Held

The Ministry of Communications is making preparations for the calling of a National Navigation Conference to frame measures for the improvement of the shipping industry. It is learnt that the regulations and pro-

cedure for the proposed conference are now being drafted by the Navigation Department and a date will be set for the meeting as soon as these have been completed.

China's Radio Facilities to Be Still Further Extended

Advices from San Francisco state that the great radio station which the Postal Telegraph and Cable Corporation is erecting at Golden Gate is nearing completion. It is being built chiefly to communicate with the Chinese Government station at Chenju, near Shanghai.

Funds have also been made available to install direct radio communication between Shanghai and London, according to information from the Chinese Radio Administration, and now the been made available for direct radio communication between Shanghai and London, according to information from the Chinese Radio Administration, and now the agreement signed recently between the Chinese Radio Administration and the Marconi Wireless Company of England for direct radio communication between the two countries, can be carried into effect out. It is learned the funds required will be appropriated shortly by the Government and negotiations will immediately begin as soon as they are received by the Radio Administration.

Chinese Authorities Object to Foreign Control of Radio

The Ministry of Foreign Affairs has been requested by the Ministry of Communications to make representations to the French authorities against the attempt of the French Municipal Authorities in Shanghai to control the radio broadcasting stations located within the French Concession. In doing so, the Ministry contends, the French Municipal Council has exceeded its authority. A similar protest against the International Settlement is contemplated.

Britain Submits Anglo-Persian Oil Dispute to League

The British Government on Dec. 19 submitted to the Council of the League of Nations a memorandum concerning the cancellation by Persia of the D'Arcy (Anglo-Persian) Concession, on which the supply of oil to the British Navy largely depends. The British Government emphasizes that it has submitted the dispute to the Council not as a share-holder but as a government defending a case in which the interests of its nationals are being injured by another State contrary to international law. It observes that the Anglo-Persian Company's agreement provides for arbitration in the event of disagreement, but that Persia has preferred to cancel the concession.

Viscount Ishii Going to Europe to Explain Japan's Position

The Japanese Government has decided to send Viscount Kikujiro Ishii, veteran diplomat and one-time Foreign Minister, to Europe on a mission to explain to foreign nations Japan's foreign policy and its case in the present international situation, according to the *Tokyo Ashai*.

The Viscount was scheduled to leave Yokohama on January 9, but a later message stated he would delay his trip for two months owing to ill health.

Mrs. Sun Yat-sen Heads Civil Rights League

Organization of the China League for Civil Rights was announced Dec. 17 by Mrs. Sun Yat-sen, widow of the founder of the Chinese Republic, Dr. Tsai Yuan-pei, and Yang Chien, well-known scholars; Dr. Lin Yu-tang, promment among China's writers in both English and Chinese, Dr. Li Yao-sen, and others. The manifesto of the organizers indicated that the League was modeled along the lines of the well known Civil Liberties Union of the United States.

Kiangnan College Denied Registration

The application of the Kiangnan College, Shanghai, for registration was recently rejected by the Ministry of Education in an order to the Greater Shanghai Municipality Bureau of Education. It is learnt that this decision on the part of the Ministry is based on the ground that the courses offered by the College in liberal arts and law do not conform to the official requirements. Under a recent ruling of the Ministry, such inadequate courses will have to be abolished.

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Sino-Soviet Rapprochement

BY K. T. WU

ALTHOUGH the dramatic suddenness of the resumption of relations between the Chinese Republic and Soviet Russia has dumbfounded Geneva, since Dr. W. W. Yen, chief Chinese delegate to the League and M. Maxim Litvinoff, Commissar for Foreign Relations of the U.S.S.R., announced to the world the news, it was by no means unexpected. It had been urged by such prominent leaders as Sun Fo, Eugene Chen and others, as well as public opinion in China. The negotiations between the representatives of the two countries concerned reached their climax as the conclusion of an agreement was made known to the world on Dec. 12.

Russia has from the very beginning of the Manchurian trouble maintained a neutral position, refraining from taking advantage of the situation arising from the chaotic conditions in Manchuria. The treatment accorded to General Su Ping-wen and the subsequent refusal to hand him and his followers over to the Japanese military authorities have been nothing but fair, and according to the usage of international intercourse.

The relationship between the two states ever since 1924, when treaties were signed at the then Peking and Mukden, whereby the Soviet Union voluntarily relinquished all rights and privileges accorded by treaties previously in effect, has unfortunately met many setbacks. Diplomatic relations between the states were broken off in 1927 as a result of the Communistic uprising instigated by the Soviets in Canton. Again relations were strained in 1929 upon the dispute over the Chinese Eastern Railway. After the signing of the Habarovsk Protocol on Dec. 22, 1929, however, Soviet consular services were restored in Manchuria. Likewise, China maintained consular representatives in Siberia.

End of Five Years of Estrangement

Thus the unfortunate entrangement between the two great powers on the Asiatic continent for some five years is at last terminated, thanks to the sagacity of the statesmen of both countries, and a new era in the international relations of China has been ushered in. It will mark perhaps a new turn of developments so far as the future of Manchuria and the Sino-Japanese situation are concerned.

While we do not want to attach too much importance to this event, normal but essential, yet its significance should not be overlooked or underestimated. The Chinese papers unanimously acclaimed such a move on the part of China and Russia as logical. Both countries are to be commended for this sane step, especially at this enigmatic and troublous moment. It represents, in fact, a desire shared by both countries, being not a one-sided proposition.

In the words of Dr. Lo Wen-kan, Chinese minister of Foreign Affairs, the restoration of normal relations with Russia will "usher in a period of peace and prosperity in the Far East." It has brought together two great nations and will undoubtedly form a strong bulwark against imperialistic intentions. T. V. Soong was right when he said, "I have ever been of the belief that there is much of natural sympathy between the two broad streams of humanity representing the peoples of China and Russia which transcends the vagaries of international politics. I am glad that the path is clear for free intercourse between the two peoples which will, I trust, play its part in the realization of the peace of the Far East."

Geographically speaking, the common boundaries of the two neighbors extend several thousand miles and we cannot see any cogent reason why they should debar each other from diplomatic access. China will not feel her isolation as acutely as heretofore as long as an adjacent country is on friendly terms with her; she can at least count on Russian moral support in her struggle for territorial integrity.

Economically, both countries have much to gain from this step. For Russia, she will be able to find a ready market in China for her surplus products. Japanese trade would indeed be hit hard by Russian competition in cheap manufactured commodities for daily consumption. Russian trade is certainly on the increase, as proved by the despatches from various commercial centers in the last few days.

For China, she can be benefited by the experiences of the stupendous scheme of reconstruction of Russia in both industrial and commercial lines. Moreover, she can make use of Russian surplus products to her own advantage, as she, owing to one handicap or another, can not produce sufficient to meet her needs.

Politically, the re-establishment of friendly relations between the two countries will mean that the Russian recognition of "Manchukuo" would be but a remote possibility. Russia for her own safety will not tolerate Japanese economic and political domination in Manchuria. China has regained a lost friend who may help to counterbalance the combination of Japan, France and Britain in the League to a considerable extent. With Russia China can co-operate to bring the anomalous state of affairs in Manchuria to an end.

China Not Going "Red"

Being a return to normal situation in international intercourse, the Sino-Soviet rapprochement should not be regarded as something extraordinary. We should not be unduly pessimistic nor should we be too optimistic over the matter. It should not be construed, firstly, that the resumption means that China will go "red." This is far from being the truth. Ever since the Stalin regime, Russia has for the time being abandoned her policy of world revolution. Her Five-Year Plan will necessitate the concentration of her attention upon internal problems. She has maintained cordial relations, formal or otherwise, with many states which are all non-Bolshevik, and is all absorbed in her gigantic program of industrial reconstruction. China can still be friendly with Russia in spite of the difference of political creeds. The former will not discard or even relax her anti-Communist banditry campaign which she has been conducting during the last few years. It is assumed that Moscow has taken this fact into account.

Other countries have maintained friendly relations with Russia and yet they are free from red influences, whereas China, having severed relations with Russia for several years, is still rampant with marauders who profess to follow the Communistic faith, in some parts of the country. What then is the explanation? To me, in China it is due more to internal conditions rather than external influences. Manchuria is contiguous to Russia, but Communistic activities are negligible there as compared to those in some southern provinces. The long rupture has scarcely mitigated these "red" tendencies. It is apparent that it is up to China herself to cease her incessant internecine warfare and to engage in constructive and productive enterprises if she desires to be free from communism. General Chinag Kai-shek has indeed grasped the idea when he recently made the remark in the Third Plenary Session of the Kuomintang that the Communist-bandit problem is less military than economic. Restoration of economic stability will take care of the matter very easily.

Even if Russia harbors any sinister aims of Bolshevizing China, we could lodge formal protests by diplomatic and regular channels as other nations would do under the same circumstances, since the resumption of normal relations with Russia in no way implies Chinese approval of Communism and interference in the internal affairs of Russia, any more than it implies Russia's acceptance of Chinese nationalism and Russia's intervention in Chinese internal politics.

Will China Show the U. S. A. the Way?

Secondly, China is neither courting nor counting on Soviet material assistance in the recovery of her lost territory; she has to rely upon herself to work out her own salvation. Dependence upon extraneous sources for solution of the Manchurian crisis is an illusion that should never be countenanced. Its futility has been proved time and again. China should therefore hold on to her policy of prolonged resistance with unswerving determination and irresistible spirit. The resumption of Sino-Soviet relations and resistance to Japanese aggression are two distinct issues independent of each other. This fact should be well borne in mind by those who entertain any unwarranted and erroneous expectation of relying upon exotic material help in the recovery of lost territories in China.

It must be added parenthetically that the resumption of friendly relations between the two neighbors may indirectly pave the way for the U. S. to recognize Russia. This friendly tie, if realized, would be of mutual benefit to both the U. S. and U. S. S. R., especially in economic relationship. As a matter of fact, there has been much cordial relation and prosperous trade between the two countries despite the lack of a formal agreement. American technical experts have done creditable work in the reconstruction work in Russia. Should the U. S. follow the Chinese precedent, the three great nations will likely effect a solution of the Manchurian issue and possibly prevent any possible alliance of imperialistic countries which are inclined toward Japan. With the support of other countries, they can offset the combining influences of those who approve of force and might.

Finally, it is to be sincerely hoped that the resumption of diplomatic relations between the two republics will lead to further far-reaching developments. By closer contact they can work out some constructive plans, both economically and otherwise. Through joint efforts there should be devised some effective means to safeguard permanent peace in the Far East. Other matters of paramount importance can be taken up, such as frustrating Japan's attempted move of setting up a Manchurian-Mongolian coalition by virtue of her Samurai sword. A new epoch in the interests of peace will be around the corner if a sincere cooperation is forthcoming.

Nanking, Dec. 20, 1932.

Dr. Walter Young's Suggestions on Manchuria ---Japan Objects

Referring to Dr. Walter Young's article which appeared in the *New York Times* of December 2nd, suggesting three methods for solving the Manchurian Question, a Manchukuo spokesman at Changchun Dec. 4 declared his strongest objection on the ground that they are absolutely incompatible.

The first plan suggested by Dr. Young was to reaffirm the principles embodied in the League Covenant, the Kellogg Pact and the Nine-Power Treaty and to acknowledge the Stimson Doctrine regarding Manchuria. By these means he holds that the original administrative rights of the area would be restored.

The second suggestion called for direct negotiations between the two countries under the guidance of neutral observers. In this case, he emphasized that no attempts should be made to hasten the solution but ample time given to engage in full discussions.

The third plan provided that an international committee composed of all nations related to the present dispute, should be formed, whereby a solution should be sought on the basis of the suggestions recorded in the IXth Chapter of the Lytton Report.

Dr. Young asserted that any of the three suggestions mentioned above would have the full support of the American public, but held the view that to apply economic severance to Japan would be an impossibility.

Trademark Infringers Are Fined and Imprisoned by Shanghai District Court

Hsu Wan-yih, manager of the Shanghai Department Store at 499 Chungking Road, was fined $200 by Judge Wu in the Shanghai District Court recently for infringing "Bee Hive" wool, manufactured by Messrs. Patons and Baldwins Company.

Chinese Imprisoned for Selling Japanese-Made "G E" Switches

The International General Electric Co., (Andersen, Meyer & Co., Ltd. agents) successfully prosecuted the proprietor of the Great China Electric Co. 162 Avenue Edward VII, Shanghai, at the First Special District Court recently for setting imitation "G E" switches. The defendant, who was sentenced to three months imprisonment and fined $500, stated that he had purchased the switches from the Kanzo Itoh Trading Co., 895 Woosung road.

Cream Trade Mark Imitated

Charged with manufacturing a product in imitation of a toilet article, Elegant Cream, which is sold by the Talow Company, three Chinese were refused bail and remanded in custody at the same sitting of the court.

Chinese Soldier in Sham Movie Battle Kills Comrade and Wounds Actor

A Chinese soldier was killed and a motion picture actor was wounded in Soochow December 16 when the Ta Chung Motion Picture Company was taking a war scene for a picture entitled "The Marooned Corps." Through a misunderstanding one of the soldiers, engaged by the picture company to re-enact the war scene, dashed to the "enemy lines" and fired his rifle, killing his comrade and seriously wounding the actor.

Pandemonium reigned for a while, and in the end the officer whose soldiers had been "lent" to the movie people decided to recall his men and marched them back to the barracks. An investigation is being made to find the soldier who actually fired the loaded rifle.

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Japanese Keen Observers of U. S. Political Changes

(*From the Review's New York Correspondent*)

Because the United States is vital in the affairs of the Far East, Japan is always intimately in touch with America and its political scenes. The same is not quite true of China. Time and time again, Japan has revealed herself a keen student of American affairs, and hence of her own interest, while China has been found to be sleeping or ignorant of the trend or underlying portents in the American democracy.

When the Manchurian crisis was at its height, Japan kept its statesmen busy visiting the United States, calling on the White House and interviewing senators. China only recently caught up, and today there is a constellation of visiting Chinese leaders on American soil. This, of course, is not so useful at the moment, for visits of these men to Washington during the last few months showed a lack of knowledge of American political conditions. Why interview Mr. Stimson or Mr. Hoover at a time when their political fortunes were at an ebb and when all signs pointed that they were soon to be "outs?"

As soon as the wires buzzed Mr. Roosevelt's victory, Japan started her campaign against Newton D. Baker as a possible Secretary of State in Mr. Roosevelt's cabinet. New York papers the day after election carried Tokio dispatches stating that Japanese officials feared that Mr. Baker in the cabinet might cause further strain in American-Tokio relations.

Today the possibility of Mr. Baker joining Mr. Roosevelt's cabinet as Secretary of State is distant, and his name is seldom mentioned in this connection, though sometimes for other cabinet posts. More and more it has become apparent, to the disappointment of China's friends, that the elements which supported Mr. Hoover's doctrine towards Manchuria will have little influence in Mr. Roosevelt's administration. The Pro-Leaguers were, in large numbers, the bulwark of the Anti-Saloon League which received its most decisive trouncing in its checkered political history.

The "Keep Out" Policy

While it is admitted that within Democratic ranks are many leaders like Newton D. Baker who are great supporters of the League and hence of Mr. Hoover's doctrine, Mr. Roosevelt himself in a pre-convention statement declared himself as anti-League-recognition, and nothing in his campaign addresses could be construed as meaning that he was not in accord with the well-known Hearst policy of "Keep Out!" regarding the Manchurian crisis. Because Mr. Hearst made the Roosevelt nomination possible, and because he will have two henchmen in the Senate, one as president and the other as senator, many foresee Mr. Hearst as having an influential voice in the direction of Mr. Roosevelt's foreign policy. In fact, it is noticeable that the Lytton report has already silenced Washington to the less positive policy of watch and wait,—which, in some quarters, is interpreted as a prelude to the forthcoming Administration's policy of less meddling in foreign affairs.

The lack of China's intimate knowledge of American conditions is more clearly evidenced when you see Chinese visiting leaders get up and make a speech or informal talk in public. In an influential gathering not long ago which met to discuss the Lytton Report, a Chinese visitor sought to embarrass the Japanese present, when already the whole intelligent audience was more pro-Chinese than pro-Japanese. If he had been properly advised and informed beforehand, he would have known that the organization was composed of liberal intellectual men and women, and that it would have been distinctly out of place to adopt a partisan, nationalistic tone of approach. Japanese are seldom caught in such elementary blunders. Individually, as well as nationally, their public statements indicate a closer grasp of the ever-changing American conditions, American fundamentals, and American psychology.

The fact is, indeed, paradoxical when it is remembered that China is, in large measure, influenced and directed by American-returned students, while Japan is not. With so many leaders in China who have had their education and training in America, one wonders why they are such poor students of America's kaleidscopic conditions.

Possibly an answer is gleaned in the Chinese students who come to the United States for higher learning. The distinguishing fact is that they are seldom interested in anything outside their studies, and with the present trend to send only graduate or research students, this fact of seclusiveness is all the more heightened. The Chinese student in America does not read American papers; less so American magazines. If he reads papers or magazines at all, it is for one purpose, for Chinese news. It is always a sort of shock to meet Chinese students specializing in economics, politics, or history, and learn that they have never heard of *Commonweal*, or *America*, and do not read *The Forum*, *Nation's Business*, *Scribners* or *Christian Century*. There have been Chinese students researching for M.A. in English literature who have never heard of Anderson, Hecht, Elinor Wylie, but knew all about Milton, Shakespeare, Wordsworth. The political rallies of the Democrats, Republicans, Socialists, Communists during the recent campaign did not interest them as a living laboratory of American methods where they could be seen in the raw, to merit attendance and observation.

Other countries have informed professional correspondents in the American scene whose duty it is to keep public opinion at home informed on the winds and changes of these United States. Unfortunately China has none whose *sole* and *prime* business is to report and analyse American conditions for home consumption. China sorely needs keen observers and students of American public opinion who will make regular and comprehensive reports on which to base policy and tactics. That the present sources are ~~inad~~equate and badly equipped, the present and past results most clearly indicate.

Dec. 1, 1932. A. A. Y.

American Fleet to Return to the Atlantic

The Atlantic Fleet, which has been concetrated in the Pacific for many months, will probaby be returned to the east coast during April, a recent Washington telegram stated. Tactical maneuvers, which caused the Atlantic ships to be sent to the west coast, will have been completed by spring and the Atlantic Fleet then will return to its regular positions.

Admiral W. V. Pratt, Assistant Chief of Naval Operations, announced that the schedule provides for concentration of the entire fleet on the west coast from February 6 to the end of March. Admiral Clark will lead seven cruisers of the Atlantic Fleet, 13 destroyers and the aircraft carriers *Saratoga* and *Lexington* to Hawaii on January 24, and then will return to meet the Pacific Fleet off the west coast of the mainland and participate in mimic warfare which will be held from February 6 to February 17.

After the mimic operations the entire fleet will concentrate in the San Pedro-San Diego area, and then the Atlantic Fleet will return through the Panama Canal to the east coast in April.

Rear Admiral Yates Stirling, commanding American naval forces in Honolulu, deplored talk of a Japanese-American war in a conversation with Juji Kasai, a member of the Tokyo Municipal Assembly, Nov. 22.

Mr. Kasai was visiting in Honolulu on his way back to Japan after a "goodwill" mission to the United States.

Admiral Stirling told Mr. Kasai that the mission of the United States navy in the Pacific is purely defensive and that American naval officers entertain no thought of an offensive war against Japan. Naval officers do not believe the United States should take an aggressive policy in the Far Fast although, of course, they favor defense of American interests. Talk of a Japanese-American war is a bogey of minds afflicted by Japanophobia, the Admiral said.

Netherlands Consul Protests Against Arrest of Chinan Students---Are Released

Claiming that two students of the Chi Nan University arrested by the Chinese police recently are Dutch nationals by birth, the Netherlands Consul lodged a protest with the Municipal Government of Greater Shanghai demanding their extradition. O. K. Yui, Acting-Mayor of Shanghai Municipality, replied that, according to Chinese law, any Chinese national who desires to relinquish his Chinese nationality must first submit a petition to the Government. As both students had not forfeited their Chinese nationality, they could only be considered as Chinese citizens. The students, Chang Chi-tsai and Wen Yu-hua, were arrested on suspicion of being communists. The Dutch Government pressed the point that the students were Dutch by birth and thereupon the Chinese nathorities released the students.

CHINESE-RUSSIAN RELATIONS—PAST, PRESENT AND FUTURE

(*Continued from page 227*)

the Russian sympathies are with the Chinese! So while the public was quite worried about the safety of General Su, Dr. Lo told the pressmen that he could "assure" them that the General would not be handed over to Japanese by the Russian authorities and that General Su and all others would be sent back to China in safety. This was because by that time Russia and China had already come to some understanding and an agreement had already been reached whereby the two countries would re-open their normal diplomatic relations.

Some Outstanding Conclusions

After presenting a historical sketch of the Sino-Russian relations since 1917 we have come to the following conclusions:

Russia's Attitude

1. Russia, through its declarations in 1919 and 1920, had promised to give up all her special rights which her imperial government had wrested from China. But unfortunately, the Russian promises of 1919 and 1920 did not mean what they had appeared to mean. "In particular, for instance," wrote M. Joffe, the envoy, on November 5, 1922, "even if Russia vests in the Chinese people her title to the Chinese Eastern Railway, this will not annul Russia's interest in this line, which is a portion of the great Siberian Railway, and unites one part of Russian territory with another." Six days later he formally denied that his government had promised "to restore to China, without any compensation, all right and interest referring to the Chinese Eastern Railway". He pointed out that almost eight hundred million gold rubles had been expended by Russia on this railroad, and made it clear that Moscow was far from prepared to give up its hold thereon. Moreover, he blamed China for not crushing the White counter-revolutionary bands in her territories. Thus, it became clear that the magnificent offers of 1919 and 1920 meant "nothing." Russia continues to be interested in the C. E. R.!

2. By the Sun-Joffe joint statement, Russia entirely agreed that "the communist orders and even the Soviet system cannot actually be introduced into China because there do not exist here the conditions for the successful establishment of either Communism or Sovietism." But the Communistic activities in China since 1923 went on more vigorously than ever before, and culminated in the severance of diplomatic relations between China and Russia in 1928.

3. By the treaty of 1924, China's sovereignty over Outer Mongolia was clearly recognized by Russia. But who is in control of Outer Mongol today?

Whither Outer Mongolia!

By the Tripartite Agreement of June 7, 1915, Outer Mongolia became a Russian prot torate in fact while remaining in theory a vassal to China. The reign of terror instituted by Sememov in and around China in 1918 and 1919, and the plans of that leader, aided by Buriats in Transbaikalia, for the formation of a Pan-Mongolian empire, made China decide to strengthen her hold on both Inner and Outer Mongolia. This policy was begun in March 1919 by the enlarging of the guards of her residents contrary to the Tripartite Agreement of 1915. General Hsu shu-tseng, generally known as "Little Hsu" brought troops to Outer Mongolia. Within a few months the Chinese brigade at Urga numbered 4,000. The Mongolian ministers' "petition" to President Hsu was considered as "most sincerely expressed and displays the patriotism" of the khan, the lamas and the princes. Outer Mongolia by this time was already taken back by China!

But due to the Anfu-Chihli war in China and setting up of the "Revolutionary Mongol People's Government" at the instigation of Moscow, Outer Mongolia again came under the Red rule. The Soviet troops were maintained in Outer Mongolia until 1925. But after this date Soviet instructors and the specialists continued to find employment in the Mongol army. A treaty of peace and amity between the two countries, in which no reference was made to China, was signed at Moscow on November 5, 1921. Despite this treaty Moscow refused to loosen its grip upon the Urianhai territory, which consuitutes a part of northern and western Mongolia. When the Mongols requested a settlement of the matter their representative was expelled, and a note was sent to the "people of the Urianhai territory" to state that "the sole object of the occupation of their land by the Russian Red troops was to defend them from the reactionary czarist officers who had found refuge among them, and to protect the territory of Soviet Russia,

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from these bands." The Urianhai territory is suitable for Russian colonization, and, inasmuch as change in the form of government of a people does not banish their earth hunger, it is not surprising that the Soviets decided to hold this area regardless of protest.

This is a picture of Chia-Mu-Shih-Lin-Cha-Pu, official representative of Outer Mongolia who is now in Nanking and whose presence in the National Capitol is referred to in this article. His name in Mongolian script appears under his picture.

The Third Congress of the Mongol Peoples was held at Urga during the month of August 1922. It was decided at that time that the policies of Outer Mongolia should be in keeping with those of the Russian Soviets. Chinese influence grew correspondingly weaker and in the following December a number of Chinese were expelled from the country. In order to placate China proper and insure the policies of Moscow therein, the Soviet agreed in its treaty with China of May 31, 1924, that "Outer Mongolia is an integral part of the Republic of China, and Russia respects China's sovereignty therein." The meaning of the Russian Soviet's recognition of Chinese sovereignty in Outer Mongolia was made clear by Chicherin in March 1925, in an address at Tiflis. Here he remarked: "The Soviet government recognizes Mongolia as a part of the whole Republic of China, enjoying, however, autonomy so far-reaching as to preclude Chinese interference with its internal affairs, and to establish independent relations of Mongolia. It ought to be noted that, after several crises, the internal situation in Mongolia has settled down and been consolidated on a basis somewhat similar to the Soviet system." To all intents and purposes, though not officially, Outer Mongolia became one of the Union of Socialist Soviet Republics. In spite of numerous protests from China, and of equally numerous promises of unselfish policy and fair play on the play of Moscow, it was clear that another vast territory, for long a component part of the Chinese state system, had been united to a young and lusty socialist empire.

Outer Mongolian Representative Interviewed

Recently, a representative of Outer Mongolia arrived at Nanking. When questioned by the writer of this article as to his mission in coming to the Capital, he answered that "he is representing the people in Outer Mongolia who had sent him to Nanking to surrender themselves and to express their loyalty and allegiance to the Central Government."

Questioned as to present conditions and Soviet rule in the Outer Mongolia, the representative told the writer that "the Russian policy in Outer Monogolia is solely a policy of political. military and economic exploitation, and the Russian rule in Outer Mongolia is 'oppression,' for the Soviets aim at the Sovietization of the Outer Mongolian peoples."

Asked to give some instances to show the Russian oppression of the Outer Mongolian people, the representative went on to tell how the Russian authorities prohbit the observation of the Mongolian religion, aiming at the changing of the culture, customs and manners of the people; and how the Russian authorities enforce a different educational system, aiming at the Sovietization of the people, etc.

Questioned whether it is true that there are two parties in Outer Monogolia, one being pro-Chinese and the other pro-Russian, the representative answered that it is quite true, adding that "the pro-Chinese group is far greater in number," pointing out different "Men" (Banna or League) in Outer Mongolia who are genuinely pro-Chinese.

Questioned as to how to take back Outer Mongolia in accordance with his opinion, the representative was most reticent, adding that "this is for the Central Government to decide." "So far as the majority of the Outer Mongolian, people is concerned, they are all very anxious to come to the side of the Central Government. If the National Government really intends to take back Outer Mongolia from Russia, there are surely some ways. Where thare is a will there is a way," said the representative in a most emphatic manner. On being further pressed to express his opinion as to how to take back Outer Mongolia, he said, "I need only to mention one of the ways. That is, through the religious methods. The appointment of the Panchen Lama to go to Outer Mongolia, who is now regarded as Tai Hsu (大師) or 'Spiritual Head' all over the world, would have the very effect of pacifying the people there." During the time when the Japanese have already occupied the Three Eastern Provinces (Manchuria) and are intending to occupy Outer and Inner Mongolia, the National Government should 'quickly' take steps to take back Outer Mongolia," concluded the representative.

From the above, it is clear that Moscow is by no means sincere in her dealings with China and has by no means lived up to the promises which she made in 1919 and 1920!

China's Position

4. The restoration of the diplomatic relations with Russia this year is only the second of this kind. Therefore, it is easy to know its importance, significance and usefulness by taking into consisderation the first restoration in 1924.

When Russia concluded a new treaty with China in 1924 whereby the diplomatic relations between the two countries were restored, Russia gave up all her special rights in China. Austria and Germany had lost the special rights in China as a result of diplomacy. But the question is:—

a. Did China avail herself the opportunity to take further steps to attain equality with other powers?
b. When China re-opened diplomatic relations with Russia in 1924, did China intend to employ this as a means to extract promises from the other powers regarding the readjustment of relations with China, by threatening that if the powers were unwilling to yield, to the Chinese legitimate aspirations, China would go over to the Reds?
c. Was the restoration of the diplomatic relations with Russia in 1924 merely an ordinary one in accordance with international usuage, or did it mean or prove to be of diplomatic significance and usefulness?

When all these questions are studied we come to the conclusion that the restoration of diplomatic relations with Russia in 1924 which should be of far greater importance and significance, was only an ordinary one. It was due to two reasons:

a. China was then in a chaotic condition, and
b. China had no far-sighted diplomats and had no definite foreign policy to speak of, and did not know how to grasp the opportunity and to exercise diplomacy.

The breaking off of diplomatic relations with Russia in 1928 indicates more clearly that China is entirely ignorant of diplomacy and the situation in the Far East, and is willing to make an enemy of her neighbor—when it could be avoided.

Sino-Russian Relations to Be Cordial Hereafter

So, whether the restoration of diplomatic relations with Russia in 1932 is another "failure," or has far-reaching diplomatic significance and usefulness, it depends upon the intention of, and the way of exercising, diplomacy by the two parties concerned. So far as to the face-value of the restoration is concerned, it can only be regarded as a restoration of diplomatic relations with an ordinary foreign power. The significance of resumption of Sino-Russian diplomatic relations has yet to be proved.

In order to make the restoration of the Sino-Russian diplomatic relation in 1932 more beneficial to both, it is necessary for both to take the following steps:—

1. Russia shall keep in mind the Sun-Joffe joint statement, and shall cease to carry on and to instigate, the communist activities in any part of China.
2. Russia shall give up her control in Outer Mongolia and China shall take it back at once and convert it into another province of China proper.
3. Russia shall, in accordance with her Agreement with China, which provides that "the future of the Chinese Eastern Railway is to be determined by the two governments to the exclusion of any third party or parties," act jointly with China to preserve the Railway purely as a "commercial enterprise." Any interference with the Administration of the Railway and its property by any third party or parties shall be dealt with jointly by China and Russia. After the restoration of diplomatic relations with China, Russia is in a better position to protect the Railway jointly with China.
4. China shall send trade missions, investigation groups, etc., to Russia with a view to cultivating better friendship and developing better commercial relations. China does not need the Soviet system nor the communist principles, but China has certainly much to learn from Russia, whose efforts in the direction of reconstruction ought to be highly admired by the Chinese.

   When the largest country in the world, embracing nearly one-sixth of the habitable land area of the globe, attempts the boldest experiment in history, something tremendous is bound to happen, whether for good or evil, or more probably, for both good and evil. And when such a thing occurs, which is bound to have consequences both wide and deep, we would do well to try to understand it as objectively and dispassionately as we can.

5. A non-Aggression Pact between China and Russia shall be early concluded whereby both promise to recognize the territorial and administrative sovereignty and integrity of one another, and to further promise to come to the help of the other when the latter is being attacked by any third party or parties. Would it not be timely for China and Russia to form a "Defensive Alliance?"

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Further it is our desire to see that the restoration of the diplomatic relations between China and Russia may be quickly followed by the signing of a Non-Aggression Pact and the formation of a Defensive Alliance, and this would further be quickly followed by the restoration of diplomatic relations between Russia and America. The resumption of the Russo-American relations would undoubtedly make the Sino-Russian resumption of relations far more significant and useful, and which would have the very effect of changing the situation in the Far East ultimately.

Nanking Dec. 26, 1932.

Fundamental Reforms in China's Educational System

A fundamental revision of the country's educational system is provided for in proposals concerning education submitted at the 4th general meeting of the 3rd plenary session of the 4th C. E. C. at Nanking December 21.

The resolution, as finally adopted by the meeting, provides in effect for four different types of education, each having a special aim. These are: (1) Popular Civic Education, (2) Productive (Vocational) Education, (3) Normal Education and (4) Professional Education.

Civic education for the people will aim to impart to students such a fundamental and general education as would be desirable for every citizen of the Republic to possess. The second type of education, that is, "Productive" education, will aim at the imparting of vocational training to students in order that they may be properly equipped to engage in productive occupations. Normal education has as its object the training of teachers. The fourth type of education will have as its aim the training of experts or scientists; in short professional education.

The following is a brief summary of this important resolution:—

I. *Kuo-Min* (Popular Civic) *Education:* This should impart to school children the rudiments of such essential subjects as the Three People's Principles, the Chinese Language, Chinese history and geography, world history and geography, mathematics, hygiene and natural sciences. Particular emphasis should be laid upon training pupils in extra-curricula activities and the building up of self-reliance and good character.

The period for this type of education should be from four to six years. If, owing to limited financial resources, it should be impossible to provide such 4-year primary education throughout the country, schools for a shorter period should be established to meet the present exigencies.

A certain percentage of the annual revenues of the Central or Local Governments should be earmarked for the provision and support of this primary education. This percentage should be increased annually so that in course of time, universal primary education throughout the country may be attained. Adult mass education for illiterate citizens must be encouraged.

II. *"Productive" (Sheng-Tsan) Education*: The primary schools shall, whenever possible, impart to the students knowledge of various useful arts.

The number of Vocational schools shall be increased in the various provinces or municipalities. Besides Government schools, private vocational schools which have achieved satisfactory results should be encouraged by means of grants.

Emphasis should be placed primarily upon the arts of production. There should be no division into departments but special training shall be given in the arms which are most needed by the locality concerned. Vocational schools shall as a rule be free schools and students shall be exempt from tuition and all other charges.

Practical work should be allotted as much time as classroom work.

III. *Normal (Shih-Fan) Education*: Normal schools should be established by the State and should be made independent of the ordinary middle schools. A thorough reorganization of the existing normal colleges shall be effected so that emphasis may be placed upon the training of competent teachers. The curricula of normal schools or colleges shall be different from those of the ordinary schools or colleges. A special one-year class shall be opened for graduates from ordinary colleges who are desirous of taking up the teaching profession.

Graduates of normal schools shall be assigned by the competent educational authorities to various schools for probational work. After they have gone through the period of probation satisfactorily, they will be awarded special certificates by the educational authorities. Only those in possession of such certificates will be allowed to take up teaching positions at their own discretion. Normal education shall as a rule be free and the students shall be exempt from tuition and other charges.

IV. *Professional (Jen-Tsai) Education*:— The general standard of the middle school shall be raised, as the middle school should serve as the main preparatory school for this kind of education. The standard of the university should also be raised and the Government should appropriate adequate funds annually to increase the equipments of Government universities as well as for the grant of subsidies to private universities.

The Ministry of Education should make a thorough investigation into all existing universities. Those having overlapping courses in the same locality should, as far as possible, be amalgamated; while those in which results have been unsatisfactory or which have failed to maintain strict discipline should be summarily closed down.

Scholarships and prizes should be established in the various universities and the senior middle schools in order to serve as an incentive to students.

Dr. Brown Looks for More Chinese Support for Famine Relief

David Brown, Chairman of China Famine Relief U. S. A. departed from Shanghai for Manila December 24, for a brief visit before returning to the United States. He is due back in Shanghai, January 6.

During his stay in Shanghai Dr. Brown has held important conferences with members of the Executive Committee of the China International Famine Relief Commission, and of the American Advisory Committee. These conferences envisage the China International Famine Relief Commission as ultimately occupying a position in China similar to that occupied by the Red Cross in America. Whereas the bulk of the funds with which the China International Famine Relief Commission now operates are contributed from America or from overseas Chinese, Dr. Brown observes that there is now in China, a wealthy class who can be made to feel a sense of trusteeship for wealth similar to that being manifested by those who support large philanthropies abroad. Indeed, already a very considerable response is being received by appeals, but for the most part, the relief funds managed by exclusively Chinese organizations, are devoted to emergency and temporary relief purposes which have no permanent effect. The constructive work by China International Famine Relief Commission during the past three or four years has been of much magnitude and has met with such success, that practically all classes of people in the northern half of China now give it full confidence, and the emphasis upon constructive methods of relief is growing. In time, Dr. Brown believes, the support of the China International Famine Relief Commission will be as exclusively Chinese as the support of the American Red Cross is exclusively American.

Fu Siao-an Opposes Sale of Hanyehping Ore to Japanese

Fu Shiao-an, vice-chairman, of the board of directors of the Hanyehping Iron and Coal Company, largest mining concern in China, has temporarily frustrated the sale of 30,000 tons of the company's iron ore to Japanese concerns.

Interviewed by a representative of the *China Press*, Mr. Fu declared that the sale of such a large quantity of iron ore, which is an essential material in manufacturing munitions, to the Japanese firms, at this time when the Chinese volunteers are fighting a life and death battle against Japanese troops in Manchuria would be tantamount to supplying munitions to the Japanese war machines to massacre the Chinese patriots in the Northeast. Besides, the price set for the iron ore is too low, said Mr. Fu, and no sound business practice would sanction the sale of products under their cost price.

An entirely different version of the origin of the dispute was given by another high officer of the company, who declares that Mr. Fu's attitude is due to personal reasons.

Dr. W. W. Yen's Appointment Approved by Soviet Russia

The Soviet Government on Dec. 21 officially announced its assent to the appointment of Dr. W. W. Yen as the ambassador of the Nanking Government to Soviet Russia. Dr. Yen has recently been serving as a delegate to the League of Nations and the Disarmament Conference in Geneva.

Dr. Yen is 55 years old and a native of Shanghai. He received his education at St. John's University and other institutions in China and subsequently was graduated with a B.A. degree in law from the University of Virginia, U. S. A. He once taught in St. John's and also was associated with the *Commercial Press*. He started his diplomatic career in 1908 as second secretary of the Chinese Legation in Washington and was minister to Germany and Denmark from 1913 to 1917 and then, due to China's entry into the war, became minister to Denmark alone until 1920. In 1921 he became minister of foreign affairs and in that capacity signed the Sino-German peace pact. He served as acting premier of the Peking Government in 1922 and was premier in 1925-26. He also has filled many other governmental posts and, in addition, is the author of an Anglo-Chinese dictionary and the translator of Walter's "Political Economy."

Chinese Postal Employees in Manchuria Are Being Retired

Owing to the forced evacuation of the Three Eastern Provinces (Manchuria) by the Chinese Post Office having brought about a very large surplus of staff the Chinese Postal Administration offered to its employees of all ranks a retirement scheme, which more than 800 Chinese and some foreigners have taken advantage of.

Although the men who are taking advantage of the scheme had in 1927 received all then due them under the postal pension regulations, they will, under the present arrangements, in addition be now given in cash one month's pay for every year of service up to 25 years, dating from the period of joining the postal service, and a half-month's pay for each successive year.

Greater Shanghai Municipal Loan Is Over-Subscribed

The Rehabilitation Loan of $6,000,000, issued by the City Government of Greater Shanghai, was oversubscribed a short time after being put on sale, according to announcement made on Dec. 21.

The amount offered to the public was limited to a balance of $2,000,000 face value, against which a total amount of $3,780,000 was received, which gave an oversubscribed amount of $1,780,000. The sum of $4,000,000 had been applied for and allotted in full previously. The loan was issued by the City Government of Greater Shanghai with the sanction of the National Government for the rehabilitation of Chapei and other war-torn districts of Greater Shanghai.

Japan's Export of Cotton Goods This Year Expected to Be Record

Japan's export of cotton piece-goods is expected in Tokyo circles to exceeded 20 milliard square yards, a record figure in the annals of Japan's foreign trade.

This line of foreign trade has witnessed some decrease with China owing to the anti-Japanese boycott, but the loss is stated in a recent Tokyo telegram to have been more than made up by the phenomenal increase in trade with India, the South Sea islands, Africa, South America and other places.

The export of cotton piece-goods in 1931 from Japan totalled a milliard and a half square yards.

Negotiations on Sino-French Annam Treaty Continue

The Shanghai *Shun Pao* says that an agreement has been reached in principle with regard to the Sino-French Annam Commercial Treaty as the result of recent negotiations between Dr. Lo Wen-kan and the French Minister, Mr. Wilden. However, the tariff question still remains to be settled as it requires detailed discussion by experts. The matter is now under deliberation by the Customs Administration of the Ministry of Finance.

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C. E. C. Plenary Session Passes Many Important Resolutions

The Third Plenary Session of the Central Executive Committee of the Kuomintang came to an end Dec. 22. Yu Yu-jen read the conference manifesto. Tai Chi-tao delivered the principal address.

At the conclusion of the session a manifesto was issued declaring the firmness of the Kuomintang to carry out the following three promises:

1.—The mission of the Kuomintang being to secure a status of equality for China in the family of nations and to consolidate China's territorial and administrative integrity, it will lead the entire nation to resist any external encroachments of China's territorial and sovereign rights and will strive to restore them.

2.—The Kuomintang pledges itself to lead the entire Chinese people to act in common with other peace loving nations to maintain the peace of the world.

3.—Being anxious to usher in a constitutional period when political powers will revert to the people, the Kuomintang promises vigorously to strive for that end by all the effective and proper measures which agree with Dr. Sun Yat-sen's late testament.

In connection with this last promise the manifesto declared as proof of its sincerity, that the Kuomintang has fixed time limits within which the People's Political Council and the People's National Assembly must be established, but owing to the vast distances in China, and the heterogeneous social and economic conditions in various parts of the country, it hopes that the entire nation will cooperate with the government and will strive to the utmost to enable the program to be carried out according to schedule.

Summarising the various resolutions adopted by the Third Plenary Session, the manifesto stated that all of them whether diplomatic, administrative, military, or educational are primarily based on public opinion and designed to cope with the present national crisis.

Finally, the manifesto referred to the government's successful anti-Red campaign and predicts the early obliteration of destructive forces, thereby enabling the Chinese nation to devote its full energy to internal and external problems.

Mr. Tai made an appeal for the country's leaders to discard past differences and to combine their efforts for nationalreconstruction.

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National People's Congress

A proposal of far-reaching importance—calling, among other things, for the convocation in March, 1935, of a National People's Congress (*Kua-Min-Ta-Hui*) to adopt and decide upon a Permanent Constitution for the country —was adopted at the third general meeting of the 3rd Plenary Session of the 4th C.E.C. held at Nanking Dec. 20. Sun Fo, formerly President of the Executive Yuan, presided.

The proposal was originally submitted by Sun Fo, but had undergone some revision by the Examination Committee concerned.

Having for its avowed object the bridging of the gulf between the Government and the people and the concentration of the resources of the entire nation for the salvation of the present crisis, the revised proposal urges the protection of the people's rights and liberties, the improvement of domestic administration, the redress of the people's grievances, the acceleration of the program of district autonomy, etc.

In this connection, it should be noted that the proposed National People's Congress (*Kuo-Min-Ta-Hui*) is entirely distinct from the proposed National People's Assembly (*Kuo-Min-Tsan-Cheng-Hui*) as provided for by a resolution adopted at the second general meeting of the Session. While the latter, that is, the proposed Assembly, will be more or less permanent and will serve primarily in an advisory capacity to the Government during the remaining years of the Period of Political Tutelage; the former, that is, the proposed Congress, will be called for the specific purpose of adopting a Permanent Constitution for the country as preparation for the Constitutional *regime*.

The following is a free translation of Sun Fo's amended proposal:—

1.—With regard to the Domestic Administration:

In order to concentrate the resources and talent of the entire nation for the joint salvation of the present crisis and with a view also to improving the relation between the Central and the Local governments in order to end all possibility of civil strife, it is hereby proposed that:

1. The Government should faithfully observe and carry out that part of the Party platform which calls for the protection of the people's liberties of speech, of the press, of associations, of residence and of conscience (religious toleration). It should strictly prohibit all unlawful interferences with such liberties as well as unlawful arrest or false imprisonment.

2. As a general principle, no "Political Affairs Committees" shall be established in any part of the country. Those now in existence should be abolished as soon as the necessity therefor no longer exists.

3. All local administrative matters shall be attended to and carried out by the competent government organ in accordance with law. No "temporary" organ or individual officials other than those authorized by law shall issue orders on their own authority so as to avoid confusion of administrative jurisdiction.

4. The Government should appoint and despatch to various parts of the country Special Commissioners to make periodic investigations into the grievances of the people and conditions of local administration. On the basis of reports submitted by such Commissioners, the Government should decide upon such measures as it may deem necessary for the redress of the people's grievances as well as for the reward or reprimanding of the local authorities. The reports in question, as well as the measure adopted by the Government in consequence thereof, should be made public from time to time for the information of the people,

2—With regard to Preparations for Constitutional Government:

1. In order to concentrate the resources of the nation for resistance against foreign aggressions and salvation of the present national emergency, the Party should take immediate steps for the completion of the District Autonomy program in accordance with Dr. Sun Yat-sen's "Outlines of National Reconstruction" in order to expedite the completion of preparations for Constitutional Government.

2. A National People's Congress (*Kuo-Min-Ta-Hui*) shall be convened in March, next year, to adopt a Permanent Constitution as well as to decide upon the date for the promulgation thereof.

3. The Legislative Yuan shall draft as soon as possible a Permanent Constitution for submission at the proposed National People's Congress and the draft Constitution shall be made public before the convocation of the said Congress in order that the people may have an opportunity of studying it.

Reform of Provincial Government System

Another important proposal, providing for the replacement of the "Committee" system of provincial government by *Provincial Governors* (*Sheng Chang*) was also adopted at the meeting.

The resolution reads as follows:

"With reference to the proposal submitted by member Shih Ying and others calling for the abolition of the Comittee system of provincial government and the replacement thereof by the system of Provincial Governors (*Sheng Chang*): *Be it resolved* that the proposal be adopted in principle; that the Central Political Council be instructed to define, in detail, the organization of the new system of provincial government; the relation between the Provincial Government, on the one side, and the Central Government organs, the District Governments and the Pacification Commanders on the other; and that the measures suggested in the proposal concerning the provincial government organization and other matters be referred to the said Political Council for reference."

Other Proposals Adopted

Besides the two important proposals mentioned above, submitted respectively by Sun Fo and Shih Ying, the meeting also adopted the following resolutions:—

1. That with reference to the proposal submitted by members Pai Yun-ti and Ke-Hsin-Ya calling for the establishment of a special institute for the training of Mongolian Party workers for service in the various Mongolian banner and league Party Headquarters: Inasmuch as a special class has been established in the Central Political Academy for the training of Mongolian and Tibetan youths, the said proposal be referred to the Standing Committee of the C.E.C. for reference and appropriate enforcement.

2. That with reference to the proposal submitted by member Chang Chen calling for the relief of Party comrades who have returned from abroad owing to oppression by foreign colonial authorities: Inasmuch as the Standing Committee of the C.E.C. has already adopted, at its 514th meeting, measures concerning the treatment of overseas Party comrades who have been expelled by foreign authorities, the said proposal be referred to the Standing Committee for reference.

3. That the proposal submitted by member Chen Li-fu —calling for the promotion of District Autonomy through the spread of mass education and betterment of economic conditions,—be referred to the Central Council for reference.

4. That the proposal submitted by the Central Party Organization committee concerning promotion of District Autonomy be referred to the Central Political Council for reference.

National Government Committee Meets

The National Government Committee, which had not held any meeting since the Japanese invasion of Shanghai last spring, held its fifth regular meeting at Nanking Dec. 24 under the chairmanship of President Lin Sen. Among those in attendance were General Chiang Kai-shek, Messrs. Chang Ching-kiang, Chang Chi, Yeh Chu-tsang and Chen Kuo-fu.

The meeting decided that a memorial service should be held each year in commemoration of the death of the late Tan Yen-kai, formerly President of the Executive Yuan.

It was decidel also to promulgate the following laws and regulations:—

1.—Law for the Execution of Administrative Orders.

2.—Revised Factory Law and the Revised Detailed Regulations governing the enforcement of the revised Factory Law.

3.—Game Law.

4.—Regulations governing the Functions of the Committee for the Disciplinary Punishment of Political Officials and Regulations governing the organization of the Secretariat of the said Committee.

The meeting also ratified the International Convention relating to Safety of Life on the Open Seas.

It is understood that the National Government Committee will hereafter meet once every week to consider various matters within its jurisdiction.

Redemption of Kiaotsi Railway Urged by Dr. C. T. Wang

Among the proposals submitted to the third plenary session was one by Dr. C. T. Wang, former Minister of Foreign Affairs, for the early redemption of the Kiaotsi Railway, (Tsinan to Tsingtao). He urges that advantage should be taken of the low rate of the yen in relation to the dollar to secure the 40,000,000 yen necessary to redeem the railway and outlined methods whereby this sum could be raised.

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Sun Fo's Future Uncertain

One of the incidentals of the session was the sudden departure from Nanking of Sun Fo end of last week, since which time he has been staying in Shanghai. This gave rise to the rumor that he intended to relinquish the post of chairman of the Legislative Yuan, but Mr. Sun himself denies that his trip to Shanghai has any significance and states that he will return to Nanking to take up the duties of his office shortly after the New Year.

Two Westerners Enrol as Students in Chinese University

Mrs. Parejas, (Swiss) and Miss Oakenski, (Polish) are now attending Central University at Nanking as special students, both of them having arrived in the capital from Geneva driving the week. Mr. Parejas, a professor at the university, interested his wife and Miss Oakenski in oriental studies and as a result they decided to come to Nanking and enrol themselves as students. They are the first foreigners to attend the Central University.

CUSTOMS NOTIFICATION No. 1264

With reference to Customs Notification of the 18th August, 1932 publishing the regulations governing the issue of Consular Invoices the public is hereby notified that in accordance with Government instructions foreign goods covered by Duty Exemption Authorities will be admitted into China without the production of Consular Invoices, as well as foreign goods which are duty free *per se* as enumerated in Import Tariff Provisional Rule II.

H. O. Tong,
Superintendent of Customs.
L. H. Lawford,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 27th December, 1932.

CUSTOMS NOTIFICATION No. 1265

The public is hereby notified that, in accordance with Government instructions, wild silk products shipped coastwise from Chefoo will be exempted from interport duty for a further period of one year from the 1st January, 1933.

H. O. Tong,
Superintendent of Customs.
L. H. Lawford,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 27th December, 1932.

CUSTOMS NOTIFICATION No. 1266

The public is hereby notified that in accordance with Government instructions the Provisional Rules governing trade between Shanghai, Soochow, Kashing and Hangchow (promulgated in 1896) are cancelled and that henceforth trade between these ports will be governed by the same regulations as trade between other treaty ports, *ie*, native goods carried by junk will be exempted from interport duty, while cargo carried by steam-launch or junks towed by steam-launche will be subject to the same duty treatment as cargo carried under General Shipping Regulations.

Steam launches plying between Shanghai and Soochow, Kashing or Hangchow will be required to enter and clear at the Custom House as heretofore, but Soohang River Passes will no longer be required, as the vessels will ply under General Regulations.

H. O. Tong,
Superintendent of Customs.
L. H. Lawford,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 27th December, 1932.

Men and Events

Karl Radek is being mentioned as one of the men likely to be appointed Soviet Ambassador to China.

Miss Mary Cline, of the American School in Shanghai, was married to Thomas Pond on Dec. 19.

Mrs. Marguerite Silva was elected president of the Portuguese Women's Association, Shanghai, at the annual general meeting held on Wednesday, December 21.

G. G. Bradford, representative in the Far East for the Frigidaire Corporation, returned to Shanghai during the week after a three months trip to the United States.

Mr. and Mrs. C. L. Bennett returned to Shanghai during the week on the *President Jefferson* from Hongkong after a short visit. Mr. Bennett is manager of the National City Bank here.

Mr. and Mrs. Julean Arnold, accompanied by Miss Frances Arnold and Harrison Arnold, spent Christmas with Mr. and Mrs. Willys R. Peck of the American Consulate at Nanking.

Dr. C. T. Wang, formerly minister of foreign affairs, who is a member of the Central Executive Committee of the Kuomintang, returned to his home in Shanghai Dec. 27.

A son was born to Mr. and Mrs. Randall Gould at the Country Hospital, Shanghai, on Christmas Day. Mr. Gould is a member of the editorial staff of the *Shanghai Evening Post and Mercury*.

T. Chen and Miss Joy Chow won the first prize in the finals of the Shanghai dance championship at the Canidrome ballroom Dec. 22. Mrs. E. S. Cunningham, wife of the American Consul General, presented the prizes.

The marriage took place at Kobe Dec. 21 of Bruce Lancaster, American Vice-Consul, to Miss Jessie Bancroft Payne, a grand-niece of Charles Dickens, celebrated English author.

Michio Izawa, former manager of the Shanghai office of the South Manchuria Railway, departed from Shanghai Dec. 24 for Dairen where he will hereafter be stationed in the S. M. R. head office.

Two Chinese members have been added to the three foreign members of the Land Commission of the Shanghai Municipal Council as a result of repeated demands made by the Chinese Ratepayers' Association.

The United States Consul-General and Mrs. Willys R. Peck gave a reception at the American Consulate-General at Nanking Dec. 24 following the marriage of their daughter, Miss Damaris Flagg Peck, to Thomas Reynolds, the American vice-Consul there.

The Chinese firm of Kiu Foo & Co., was ordered by the Special District Court Dec. 24 to desist from using Chinese characters similar in sound to those used by Parke Davis & Co., American drug manufacturers, in advertising and labeling their product "Palatol."

It was stated by S. M. Edwards presiding at the annual meeting of the British Chemists (China) Ltd., in Shanghai Dec. 23 that a considerable loss for the year had been sustained, largely due to falling of business as the result of the Sino-Japanese hostilities.

The Central Mint at Shanghai will commence operations on New Year's Day when formal opening ceremonies will take place, the Ministry of Finance announces. The mint is of the most modern design and is capable of turning out 200,000 coins daily.

R. T. Bryan, Jr., legal advisor and advocate of the Shanghai Municipal Council, accompanied by his wife and children, arrived back in Shanghai December 23 on the Dollar liner *President Coolidge* after eight-months' vacation in America. King S. Kum was acting municipal advocate in the absence of Mr. Bryan.

The death occurred in Shanghai Dec. 24 of Joseph Howard Gray, veteran newspaperman, formerly resident in Hawaii. His dead body was found early in the day on the ground four stories below his room in the American Club. The indications were that he had committed suicide.

St. Francis Xavier's College, Shanghai, held its graduating exercises Dec. 23, when certificates were awarded to 65 pupils. Of the 65 pupils, five received senior certificates, 18 received intermediate certificates, 21 received junior certificates and the remaining 21 were awarded preliminary certificates.

Mrs. Theodore Roosevelt, widow of the late president stopped over in Shanghai *enroute* to the Philippines on the Dollar liner *President Madison*, December 27. She was the guest of Judge Purdy during her brief visit here. In the evening a dinner party in Mrs. Roosevelt's honor was given at the Cathay Hotel by Dr. Ann Walter Fearn.

Shanghai Foreign Municipality Police on the morning of Dec. 24 raided the premises at 115 Kiangse road where they found a large quantity of narcotics and red pills, the latter being an opium substitute of a particularly baneful character. Two men on the premises were arrested. They are being held by the First District Court while the Police search for the proprietor of the establishment.

Hsu Teh-heng, a professor attached to the faculty of the Peiping National University, was released Dec. 21 after having been held in custody for a week on a charge of being involved in Communist agitation. He was liberated on the personal guarantee of Dr. Chiang Mon-lin, chancellor of the Peiping National University, and Mr. Chou Pu-ling, dean of the same institution.

Lieutenant-Colonel F. A. Barker, regimental executive and training officer of the U. S. Fourth Marines, who has been ordered transferred to Boston, departed from Shanghai in the naval transport *Chaumont* en route to San Francisco, Dec. 27. He has been succeeded here by Lieutenant-Colonel Emil T. Moses, who arrived here about two weeks ago.

Gen. Chen Ming-shu, former Minister of Communications, who is now in Paris, has cabled to Dr. Chu Chia-hua, the incumbent Minister of Communications, denying the allegation made by Li Kuo-chih, the deposed manager of the China Merchants' Steam Navigation Company that he had previous knowledge of the alleged loan agreements made by the Company with the China Realty company. Gen. Chen asked for severe punishment of Mr. Li for misconduct.

Edgar Snow, correspondent for the *Consolidated Press*, Washington, D. C., and former assistant editor of *The China Weekly Review*, was married on Christmas day at the U. S. Embassy in Tokyo to Miss Helen Foster, daughter of John M. Foster of Salt Lake City, Utah. Miss Foster was formerly connected with the American Consulate-General at Shanghai. Following the ceremony the couple departed on a trip to the Dutch East Indies, following which they will return to China and after spending several weeks in Peiping will make their home in Shanghai.

Soviet Trade in China Booms as Result of Rapprochement

The first cargo of Soviet products including 1,800,000 feet of lumber arrived in Shanghai December 22 on a Norwegian vessel. Additional orders for Soviet lumber, petroleum and metallic products have been placed by local Chinese merchants with the Soviet commercial agents here. At the same time a large consignment of Chinese tea is about to be shipped to Soviet Russia *via* Siberia. According to Mr. Levine, manager of the Centrosojus, Ltd. Russian export concern in Shanghai, Soviet trade in China is expected to increase enormously in the next few months. Two routes are open between the Soviet Union and China ports: via the Transiberian Railway and Vladivostok and via Black Sea ports and Suez. The latter route, it is believed, will carry the bulk of China's imports and exports from and to Russia, inasmuch as the route is open the year round and freight is cheaper from or to European Russia than by the railway. Heretofore, because Russia and China were not officially on friendly terms, imports from the union were shipped on freighters flying flags of other nations—Norwegian, Swedish, etc. Now Russia's own ships, using the Red flag will carry the bulk of the import and export trade, it is stated.

It is reported from Nanking that negotiations will be initiated in the near future for the conclusion of a commercial treaty between China and Soviet Russia. Chinese circles state that the resumption of diplomatic relations between the two countries again puts into effect the Sino-Soviet Agreement of 1924, including the section dealing with the remission of the Russian portion of the Boxer Indemnity.

Senate and House Agree to Free Philippines in Ten Years

The granting of full freedom to the Philippine Islands in 10 years' time was recommended by the Congressional confererces at Washington, Dec. 22, appointed to submit a compromise on the Philippine Independence legislation. Less severe immigration and trade restrictions were recommended. The conference agreed that the United States should retain perpetually all military and naval reservations in the Philippines, and that the president should be requested to negotiate treaties with foreign governments for the perpetual neutralization of the islands when independence was achieved.

The compromise bill which has been passed by the Senate includes the following provisions: (1) Independence after a transition period of ten years and without the necessity of a plebiscite. (2) Starting in the sixth year there shall be a graduated system of Philippines export taxes ranging from 5 to 25 per cent of the regular United States tariffs. (3) Receipts from the export taxes shall be used to retire Philippines bonds. (4) Duty-free raw Philippines sugar entering the United States shall be limited to 800,000 tons annually, duty-free refined sugar shall be limited to 50,000 tons. (5) Duty-free coconut oil shall be limited to 200,000 tons annually and cordage to 3,000,000 pounds annually. (6) The Philippines shall have an annual immigration quota of 50 but the immigration provision shall not become effective until the Philippines Legislature or a constitutional convention accepts the independence bill. (7) The United States shall retain the right to hold military and naval reservations in the Islands. (8) The President is called upon to negotiate neutrality treaties for protecting the independence of the Islands.

Soviets Deny that General Su Ping-wen Is in Moscow

An emphatic denial of a report published by the Japanese war ministry that General Su Ping-wen is shortly leaving Soviet Russia for Europe and that 300 men of his former army have been dispatched to Habarovsk was issued by the *Tass News Agency* Dec 23. It is denied with equal emphasis that General Su Ping-wen is in Moscow and has received a telegraphic order from Marshal Chang Hsueh-liang to expedite his departure for Peiping in order to participate in military operations against the Japanese forces, as has been reported in the Japanese press.

The *Tass* denial declares that General Su Ping-wen, with all his officers and former soldiers, is interned in the region of Tomsk as already reported in the Soviet press. Neither General Su himself nor any of his officers or soldiers have left or are leaving the Tomsk district either for Moscow or any other point in Soviet Russia, *Tass* emphatically states.

Chinese telegrams had likewise reported the alleged arrival of General Su in Moscow, one of them stating that he had interviews with Stalin and other Soviet leaders.

There was also a telegram from Russia during the week that the Soviets were holding General Su, and had suggested that they would "trade" him for the Noulens couple now under sentence of life imprisonment following conviction for having engaged in Communist propaganda in China. The Nanking authorities denied the report.

Heavy Fighting in Szechuen Province

After a decisive battle lasting more than a week General Liu Wen-hui, chairman of the Szechuen provincial government, finally ordered a general retreat from the Kiating-Chenju line middle of last week according to Chinese advices. General Liu retreated after scoring a notable victory with 3,000 "dare-to-die" corps troops whom the Chengtu warlord is reported to have paid a cash reward of $500,000. As his forces were advancing after the "dare-to-die" corps, General Liu Hsiang, the Chungking warlord, launched a counter-offensive under the cover of a squadron of fighting and bombing planes.

Heavy casualties are claimed on both sides. Genera Liu Wen-hui at last reports was building defense works at Meishan and Kakiang districts to check the advance of the Chungking forces. He is reported to have lost his major force of best trained men but is expected to make a final stand.

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Who's Who in China

Admiral Sheng Hung-lieh. naval Commander and Mayor of Tsingtao Municipality; born at Tien-Meng District, Hupeh Province, 1881; passed the competitive literary examination under the Ching Dynasty with B. A. degree; entered the military Academy at Wuchang upon recommendation of the famed Chinese scholar, Chang Tsi-tung, then Viceory of Hupeh; later was sent to Japan on Government scholarship to study naval tactics where he remained for seven years; returned to China shortly before the overthrow of the Manchu Regime; upon establishment of the Republic, he served in the Chinese Fleet at the Naval Headquarters of Shanghai, Ministry of Navy at Nanking and the General Staff Office, Peking; during the World War, while he was holding the post as section chief of the General Staff Office, he was appointed by President Li Yuan-hung as member of Chinese War Observation Party to Europe, in which capacity, he travelled in the United States, Great Britain, France and Italy and observed the war conditions; upon returning to China, he was appointed an instructor of the Military College at Peking; shortly afterwards, was transferred to Kirin as Chief of Staff of the Kirin and Heilungkiang Naval Headquarters and concurrently director of Naval Affairs Bureau under Marshal Chang Tso-lin; in 1923 when the North-Eastern Naval Squadron was organised, he was appointed the Commander-in-Chief and concurrently member of the North-Eastern Political Affairs Committee; during his ten years' service in the North-Eastern Provinces, besides his official duties, he had also organised the North Eastern Mercantile Navigation College, North Eastern Navigation Bureau, the Harbin Dry Dock and the Sunagri River Conservancy Bureau, of all of which he held the post as president of the Board of Directors; he now holds the following posts, Commanding Officer of the Po Hai Squadron, Mayor of Tsingtao Municipality, member of the Peiping Division of the Central Military Affairs Committee at Peiping, member of the Political Affairs Committee, Peiping and member of the Military Affairs Committee, Peiping; author of the following works: "Notes on Study of Chinese History," "Memorandum on China's Coastal Defense and Fortification," "The World War And The Maritime Rights" and Memoris on Observations of European and American Naval Forces;" address: Government of Tsingtao Municipality, Tsingtao.

沈鴻烈

Admiral Sheng Hung-lieh

沈鴻烈，現年五十一歲，湖北天門縣人，前清光緒中葉以博士弟子員受湖廣總督張之洞賞拔，入陸軍武備學堂肄業，旋選送日本留學海軍七年，於前清末葉回國後，歷任海軍艦隊，上海海軍司令部，南京海軍部，北京參謀本部等處服務，歐戰時以參謀本部科長，奉前大總統黎元洪之命，充歐洲參戰武官，經美英法意各國視察戰況，並參加英法海軍大艦隊實地考察，返國後，任陸軍大學軍事教官，旋調任吉黑海軍司令部參謀長，及東三省鎮威上將軍公署海軍處長，民國十二年東北海軍艦隊成立，任海軍司令，後又兼任東北政務委員會委員，計前後十年間，在東三省創辦東北航務局，商船學校，造船所，水道局等機關，均兼任董事長，現任渤海海軍司令兼青島市長，並兼北平軍事委員分會委員，北平政務委員會委員，北平軍事委員會理事等職，著有讀史劄記，中國沿海軍港要塞芻議，歐戰與海權，及歐美各國海軍視察記等書，

New Books of Interest in the Far East

Aspects of Chinese Nationalism

Nationalism and Education in Modern China, by Cyrus H. Peake; Columbia University Press, New York City.

Effects of Chinese Nationalism Upon Manchurian Railway Developments, 1925-1931, by Harry L. Kingman; University of California Press, Berkeley, California.

Both of these works, that of Professor Peake being a regular sized book while Mr. Kingman's volume is a brief, paper-bound booklet, are extremely valuable in their respective fields, and Professor Peake's effort, so far as this reviewer is aware, has no competition except for a few Japanese propaganda pamphlets.

Professor Peake is a lecturer in Chinese in Columbia and his research for his book was done here in China while he was a Cutting Travelling Fellow during the year 1928-29. He has made no attempt to recount developments since that time.

He opens his book with a sketch of the dawn of modern education in China during the period from 1860 to 1895 and gives ample details of its development to the end of 1929. He proceeds upon the scholarly thesis that nationalism is a handicap to the highest form of education, but unlike the Japanese propagandists he makes no attempt to belabor China for indulging in any greater chauvinistic intolerance than is generally characteristic of all nations. At the same time he fails to clearly point out that China has had throughout the course of her relations with other nations more sound reason to acquire intolerance than any other country in the world.

Professor Peake cites that as early as 1865 the more intelligent Chinese officials started to realize that classical education, while excellent for training mandarins, was wholly unsuited for training the nation to compete with the ruthless occident that had forced itself upon China's not altogether willing attention. And also as early as this date, the rapidity with which Japan had started to get in step with the west had impressed itself upon the Chinese. After 1895 Japanese educational influence developed rapidly in China and still continues.

Professor Peake also recounts the influence of Christian missionaries on education and along with this, ironically enough, the increasing emphasis on military education to train the nation to resist foreign aggression. Since 1927 the missionary influence has been distinctly on the wane while military education has increased.

In conclusion, Professor Peake correctly states that "modern education was forced upon China by the aggressive impact of the west" and "was resorted to in the beginning as a means of strengthening the nation along military and naval lines" with the idea of a "nation in arms" constantly spreading until it "has now become deeply entrenched in the educational system." At the same time "the fruits of militarism in China, a militarism which was consciously adopted and is still fostered to strengthen the nation, have only served to weaken it, and to bring untold suffering upon millions of peaceful people." Further, "modern nationalistic education in China is still far from achieving the goal of a unified, centralized sovereign Republic envisaged by Chinese leaders responsible for its adoption and promotion."

While Professor Peake does not say so, he here seems to imply that the nationalistic education is somehow at fault, and his very last sentence states that it remains for "the future to determine" whether education can effectively spread nationalism. In this he falls into a common error of trying to deal with education as an independent entity in any given society rather than merely as one aspect of infinitely more powerful social forces. And while Professor Peake registers appreciation of the effects of nationalism and foreign imperialism on education in China, he not only fails to recognize that education is ever the servant and never the master, but also to chart the terrific cross current of both feudalism and communism. This lack limits his otherwise excellent survey.

Mr. Kingman, who is a well known former resident of China and was an active pro-Nationalist in the 1925-27 period, confines his booklet largely to a concise and factual summary of Chinese efforts to develop Manchuria in competition with the Japanese-owned South Manchuria Railway. He also gives a very complete account of Marshal Chang Hsueh-liang's ill-advised efforts to seize the Chinese Eastern Railway. There is little, if anything, that is new in the booklet for those who have carefully followed Far Eastern events in recent years, but it is a splendid reference publication and also would be very valuable for those who have not kept up with the news as it happened. W. B.

The Spirit of Asia

The Heritage of Asia by Kenneth Saunders, Litt. D. Macmillan Co, New York and London. $1.75 (U. S.)

Dr. Saunders, who has just written "The Heritage of, Asia" is also the author of "Epochs of Buddhist History", and of "The Gospel for Asia," and is (as those who have heard him, know) a brilliant lecturer and leader of forum discussion as well.

In this book he discusses the three chief cultures of of Asia, looking for analogies and parallelisms where some (Sir Frederick Whyte, for instance, in his "Future of East and West") find largely differences. In describing the characteristics of the religion and art of India, China and Japan, he deals with a particular period in each: the Guptan era in India, the T'ang era in China, and the imitating and adoption but also artistic adaptation of these by Japan. He raises and attempts to answer, such interesting questions as, "What is it which makes India *Indian* and China *Chinese*? What does the genius of Japan choose from each? How does she blend their gifts?" Touching on our own day, he asks: "In what spirit can true partnership between East and West be achieved?" And despite the popular theory that "East is East, and West is West, and never the twain can meet," he says confidently: "There are no barriers between East and West that cannot be overcome by sympathy and goodwill, if informed and intelligent."

There is a popular conception that India is mystic and other-worldly, and that China is secular and very practical. Dr. Saunders points out that China eagerly received and absorbed into her national life the spiritual gifts of India, her religion no less than the arts which accompanied it. At the very time when the Emperor of Rome was killing St. Peter and St. Paul for preaching the gospel of love, the Emperor of China is reported to have welcomed in person the missionaries of the compassionate Buddha. The masses of the people, if not the scholars, have seemed to hunger for something more spiritual than the moral teachings of Confucius. Dr. Saunders approaches the ethnic faiths of the Orient with respect, and as one who would see how Christianity can supplement rather than displace. It would aid the whole missionary enterprise if those who come to preach could come to learn as well, and could see with this author that:

> "For ancient China, too, as for Vedic India, there was a dim sense of a Supreme Being behind the bright naturegods, who was to them as the king to his people. Both ancient civilizations were trembling upon the verge of an ethical monotheism as pure as that of the Hebrew prophets; and Asia is turning back today to such teachers as Mo Ti, who believed in a Loving God and taught universal altruism, or to a theistic strain in the Upanishads."

The author illustrates the spirit of Asia by his portrayal of the three great Asiatics of early days: Sakyamuni, Buddha; Confucius, the teacher, and Shotoku, the ruler. Later he presents three great modern leaders of the same three countries: Mahatma Gandhi for India, Dr. Hu Shih for China, and Kagawa for Japan. A second section of his book is devoted to selective and illustrative readings from the literature of the three countries. It would seem that of the three countries, he knows his India best. His style is such that the book is not only informative but delightful reading. C. T. F.

The Epic of the World's Premier Wheat Exporting Country

The Canadian Grain Trade, by Duncan Alexander MacGibbon, M.A., Ph. D., Toronto: The MacMillan Co.

The outstanding fact related in this book is that Canada has long since surpassed the United States of America in the world's wheat export trade. Canada got a good start as a result of the world war; the closing of the Dardanelles in 1914 eliminating Russia as an important factor

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in this trade. During the years from 1922 to 1929, Canada's average export was 310,300,000 bushels, as against America's contribution of 174,3000,000 bushels and Argentine's 153,400,000 bushels.

Canada's premier position has not, however, been reached without many tribulations and heart-burnings, and the Canadian farmers on many occasions have been far from happy. There has been governmental control, interspersed with pools, combinations and selling agreements. The railways in many instances have had the famers at their mercy, at times world wheat prices have been so low as to make the growing of wheat in the interior unprofitable, and the financing of this huge volume of wheat has always been a gigantic task.

Probably the most interesting part of this book is the story of the development and trends of transportation, In a country as large as Canada, where the great market, unlike in the United States, is abroad, and not within the country, the matter of getting the grain to the European market by the cheapest route is naturally a matter of prime importance. There has been constant competition between the Eastern and Western routes. Since the opening of the Panama Canal it has been quite feasible to route grain from the western half of Canada by rail to the west, load it on steamers on the western coast, and then send the ship via Panama. In the grain trade, particularly, the cost of land transportation is very much greater than by sea. Gone forever is the day when wheat is loaded either on to railway cars or on to ships by the laborious method of putting it into bags. Now the greater part of the export cargo is shipped in bulk, the style of steamer used for this purpose being known as "whaleback."

So far, the great bulk of the grain shipped eastwards has been routed via St. Lawrence, but in recent years the Hudson Bay route has come much into favor. The author has given scant attention to this shipment route and rather gives the impression that he wishes to "soft pedal" it, mentionining among other things that one of the obstacles to the popularization of the Hudson Bay route is that there is a tendency in trade to move in accustomed channels. However, despite the fact that the season for shipment via Churchill (the recently developed port on Hudson Bay) is very short, the obvious advantages of the route will undoubtedly cut very deeply into the St. Lawrence business within the next few years.

As in many other lines of trade where the operations are on a gigantic scale there has been a tendency in the Canadian grain trade to build up conditions where the farmers are at the mercy of a huge machine, whose every whim is law and whose power might only be broken by a strike on the part of the farmers—a maneuver which would be exceedingly difficult for the farmer to carry out, as the average farmer in Canada raises nothing but wheat, just as many a farmer in the southern states raises nothing but cotton, thus leaving him without a reserve—not to speak of the fact that he is usually already in debt.

Bread is the staff of life. Politicians may come and go, but the greater part of the world would starve unless wheat (and rice) are available. The story of how the grain is planted, reaped, transported, handled from the Canadian plains to the markets of the world is releated in minute detail in this book; it is a compendium of information not only for the general reader, but also sufficiently technical for the merchant, broker or financier who cares to have a share in this, one of the most important, trades of the world—one that was known in time of the Ptolemies and one that will continue until the end of time. And it is on the cards that Canada for many centuries to come will hold the key to the situation, G. W. M.

Recent Pamphlets Received

"Gandhi, the Man of Destiny" and "Dolls of Dasara" are the titles of two brochures from the pen of S. Uma, B. A., published by Andhra Jateeya Jagati, at Guntur, S. I. A perusual of these two volumes gives an interesting insight into life in India. Concerning Gandhi the author writes: "Gandhi is a necessity to India; he is a lesson to the world."

The *Annals* of the American Academy of Political and Social Science for November is devoted to a discussion of Palestine, particularly the developments of the last decade. The subject is discussed by a score of contributors, covering the political, economic, educational and social features of this important experiment in trying to solve one of the world's great problems, namely to find a home for the Jewish race,

The current number of *The Cathay*, the house organ for the Cathay and Metropole Hotels and Cathay Mansions, is a special edition for the Christmas season. It has a brightly illustrated cover and contents suitable for the occasion.

Westward to the name of a magazine of verse published quarterly in San Francisco, Florence R. Keene, editor and publisher. The current number contains a reference to the recently formed Chinese Authors' and Publishers' Association.

America's Position on the Lytton Report

In a discussion entited "International Action on the Lytton Report," appearing in *Foreign Policy Reports* Nov. 9, Raymond Leslie Buell says: "Others, however, insist that if the League, confronted by the unequivocal findings of the Lytton Commission, fails to adopt a clearcut course of action, its position as an important institution will be forfeited and all hope of outlawing war and reducing armaments will disappear. If, as a result of League inaction, Japan is given the opportunity to assert that the failure of Manchukuo, should it occur, is in no way due to pressure from Geneva but to local causes, then the League will have become so weakened that other powers may be encouraged to embark on military adventures. Owing to its traditional interest in the Orient and to the leading part which it played in the negotiation of the Anti-War Pact, the United States has been unusually active in the past year in attempting to adjust the Sino-Japanese dispute. The American government strongly supported the establishment of the Lytton Commission and assented to the appointment of General McCoy, commanding general of the fourth corps area of the United States Army, as a member of this Commission. Moreover, the United States was the first to formulate the non-recognition doctrine. Despite these various steps, American policy regarding the Lytton report remains undefined."

Trade Statistics Book Compiled By Research Institute

The "Statistics of China's Foreign Trade During The Last 65 Years," edited by C. Yang and others of the Research Institute of the Social Sciences of the Academia Sinica has just been published. The book, which gives a clear and systematic account of China's foreign trade since 1864, was compiled after years of labor from direct sources principally the annual reports of the Chinese maritime customs. The book is obtainable from Kelly & Walsh. It is published in both Chinese and English.

Stringent Press Regulations in the French Concession

The authorities of the French Concession of Shanghai are apparently taking action to tighten up the control of the publication and sale of newspapers and periodicals within the Concession.

Under the provisions of the French Consular Ordinance No. 187 of November 23, 1931, no periodical, journal or magazine may be published, distributed or sold in the French Concession without the written authorization of the French Consul-General, nor may any establishment be founded for such purposes within the limits of the Concession without similar authorization.

The regulations as to distribution and selling are apparently intended to apply to periodicals published outside the Concession equally to those published within its limits in so far as such publications are distributed and sold within the Concession.

Yunnan Merchants Protest Silver Duties on Burmah Border

A dispute concerning 600 bars of silver at Bhamo where the Burmese authorities are alleged to have seized the cargo, has been brought to the attention of the National Government at Nanking by Hsu Yue-fan, chairman of the Tung-yueh (Yunnan) Chamber of Commerce, who arrived recently at the capital.

According to Mr. Hsu, the silver bars were brought to Yunnan through Burma, but were detained when the importers refused to pay any duty. Contrary to the stipulations in the Burma-Yunnan commercial treaty, the Burmese Government has since October 15 this year imposed import duties on raw silver, Mr. Hsu said. The rate of the tax is very heavy,

Building of Tunhua Railway to Korean Border Makes Rapid Progress

A recent *Reuter* dispatch from Tokyo stated that it is now believed by many people that the outbreak of the Manchurian crisis in September, 1931 was really precipitated by the refusal of the Chinese authorities to permit the Japanese to link up the Kirin-Tunhua Railway with the Korean border. Both strategically and economically the immense importance of completing this link in the Japanese system of communications on the Asiatic mainland must be patent to all who have studied the map. This railway would serve to tap the valuable resources of the hinterland and to carry Japanese goods to potential markets which it would open up for exploitation. Also in the event of war with Russia this completed railway would enable Japanese troops to be rushed into the war area by a safer route than any now existing.

It was therefore not surprising that soon after the Japanese occupation of Manchuria began in 1931 reports that the Japanese had started work on the projected line began to circulate. Confirmation of these reports were unobtainable and it is only now that anything definite on the subject is appearing in the Japanese press.

An article appearing in the *Japan Times* says that the most urgent work to be accomplished in Manchuria is the construction of the railway from Tunhua to Kainei and then to Rashin, a port on the northeast coast of Korea. The construction of this railway was long pending between China and Japan. But since the outbreak of the Manchurian incident the matter has been satisfactorily settled and the South Manchuria Railway Company is undertaking the construction by contracting with several contractors. If construction progresses at the present rate the railway service should be opened to Rashin by next autumn.

Former Chief of Fukien Army Executed by Chiang Kwang-nai

Former Brigadier-General Chen Kou-hwei of the provincial forces of Fukien was executed at Foochow Dec. 24, after having been under arrest for about two months. Chen was arrested two months ago when he responded to the invitation of General Chiang Kwang-nai, commander of the 19th route army, for a conference in connection with the reorganization of the Fukien Provincial Government. After he had been apprehended, his forces started an uprising in districts around Putienhsien but were subsequently routed by the 19th route army. Chen was found guilty of having illicitly collected heavy taxes and permitted his men to resort to looting, adultery and other evils.

Radio Police Officer Killed by Gang Near Shanghai

Shih Hsun-tung, probationary policeman attached to the International Radio Station at Chenju, was killed by a gang of four gunmen, during the night of Dec. 22 near Tangchiao, north of Taziang and midway between Chenju and Liuhang. The motive for the killing has so far not been ascertained.

Shih at the time was leading a motorcycle patrol party of three probationary policemen. He was thrown to the ground when his vehicle hit a stone trap; he died instantly amid a fusillade of bullets fired by the four gunmen. The two other policemen returned the fire but retreated when their bullets were exhausted.

Extension of Shanghai Court Agreement Denied

Shih Chih-chuan, vice-Minister of Justice, denied the reports emanating from foreign sources that the Ministry of Justice has recommended an extension of the Shanghai Special District Court Agreement for three years, according to a Nanking message in the *China Times* on December 26. Vice-Minister Shih is quoted as saying that the Ministry of Justice is taking measures to bring about a revision of the Agreement and negotiations to that effect are in progress. The question whether there will be a revision or an extension of the present Agreement can not be definitely decided until end of January next year, Minister Shih declared.

Latest New York Stock Exchange Quotations

Market—Steady — Business Done 800,000 Shares

Dec. 28, 1932

1931-2 High	1931-2 Low	Div.$ per Sh	STOCKS	Mon. Dec. 24	Tues. Dec. 27
9 1/8	1 5/8	—	Adams Express	4 3/4	5 3/8
88 1/4	42 1/2	*6.00	Allied Chemical & Dye	78	79 1/4
15 5/8	4	—	Allis Chalmers	7	7
73 7/8	29 5/8	*4.00	American Can	53	53 1/8
15	2	—	American & Foreign Power	6 1/8	6
38 1/2	5	—	American & Foreign Power 7% Pfd.	9 5/8	9 1/4
10	1 1/8	—	American & Foreign Power Warr.	4 1/8	4 1/8
27 1/4	5 1/8	—	American Smelting	11 3/4	12
137 5/8	70 1/4	9.00	American Telephone & Telegraph	102 5/8	102 1/8
89 3/4	44	*5.00	American Tobacco "B"	58 1/4	57 1/4
34 1/2	11	2.00	American Waterworks	16	15
19 5/8	3	—	Anaconda Copper	5 3/4	6 1/2
151 3/4	28 3/4	*4.00	Auburn Automobiles	46 5/8	47 1/4
21 5/8	3 3/4	—	Baltimore & Ohio	7 3/4	7 3/4
29 5/8	7 1/4	—	Bethlehem Steel	12 3/4	12 5/8
43 1/4	20	*2.00	Borden Company	24	23 7/8
14 1/4	3 3/8	—	Borg Warner	Unq.	8 3/8
20 5/8	7 1/4	—	Canadian Pacific Railway	13 5/8	13 3/4
65 3/4	16 3/4	—	Case, J. I.	37 1/2	38
47 7/8	19	2.00	Chase Bank	33 5/8	32 3/4
20 3/4	4 7/8	2.00	Chesapeake Corp.	15 1/2	14 5/8
21 3/4	5	1.00	Chrysler	15 5/8	15 5/8
21	4 1/4	1.00	Columbia Gas & Electric	15 5/8	15 5/8
5 1/4	1 5/8	—	Commonwealth & Southern	2 1/8	2
1	1/16	—	" Warr.	1/8	5-16
68 3/4	31 1/2	4.00	Consolidated Gas of N. Y.	37 5/8	37 1/2
9 3/8	3 5/8	—	Continental Oil	5 1/2	5 1/2
55 3/4	24 3/4	*3.00	Corn Products	50 1/8	51
7 5/8	1 1/4	—	Coty Inc.	Unq.	3 1/8
3 1/4	7/8	—	Curtiss Wright Company	1 5/8	1 1/2
18 5/8	5	.75	Douglas Aircraft	9	7 1/2
57	23	4.00	Drug Incorporated	35 1/2	35 1/4
59 3/4	22	2.00	Du Pont de Nemours	36 5/8	36 1/8
87 7/8	35 1/4	3.00	Eastman Kodak	53 3/8	52 5/8
48	5	6%S	Electric Bond & Share	16 3/8	17 1/8
16	2 3/4	—	Electric Power & Light	5 3/8	5 3/4
5 3/8	1	—	Fox Film "A"	1 7/8	2
26 1/4	8 1/2	.40	General Electric	14 5/8	14 5/8
40 1/2	19 5/8	2.00	General Foods	23 3/4	23 1/2
24 5/8	7 5/8	1.00	General Motors	12 7/8	13
28 5/8	6 1/4	1.00	General Railway Signal	Unq.	11 5/8
24 1/4	10 3/8	1.00	Gillette Safety Razor	18	17 1/2
20 5/8	8 1/4	1.60	Gold Dust	14	17 7/8
29 3/4	5 1/2	—	Goodyear Tire & Rubber	14	14
18 3/4	3 5/8	—	International Cement	8	7 3/4
1 3/8	1/2	—	International Com. Engine.	1/2	1/2
34 1/2	10 7/8	1.20	International Harvester	20 1/4	20 1/4
12 1/2	3 1/2	—	International Nickel	7 1/8	7 3/8
15 3/4	2 5/8	—	International Telephone & Telegraph	5 3/8	5 1/2
33 5/8	10	—	Johns Manville	19 1/4	18 1/4
19 1/4	4 7/8	—	Kennecott	7 5/8	7 5/8
9 1/4	1/32	—	Kreuger & Toll	1/4	1/8
67 1/4	32 1/4	*4.00	Liggett & Myers, "B"	55	54 1/2
37 3/4	13 1/4	*3.00	Loew's: Inc.	18 7/8	18 5/8
18 5/8	9	1.20	Lorillard P. Co. (Com.)	12 3/4	12 1/8
11 3/8	1 1/2	—	Ludlum Steel	Unq.	5 1/4
16 1/2	3 1/2	—	Montgomery Ward	12 3/4	12 5/8
64 1/2	23 3/4	2.00	National City Bank (bid price)	14 1/4	41
10 1/4	2 1/2	—	Nevada Copper	3 1/2	Unq.
86 5/8	8 3/4	—	New York Central	15 5/8	14 3/4
43 1/4	13 3/4	10%	North American Company	27 1/2	27 5/8
37	16 7/8	2.00	Pacific Gas & Electric	30	30 1/2
5 1/4	1 1/2	—	Packard Motors	2 1/8	2 1/8
11 1/2	1 1/2	—	Paramount—Publix	2	1 7/8
23 3/8	6 1/2	—	Pennsylvania Railroad	13 1/8	12 7/8
4 3/8	1	—	Pennroad Corporation	1 1/8	1 1/8
8 3/8	2	—	Phillips Petroleum	4 1/2	4 5/8
60	28	3.20	Public Service of N. Jersey	50 5/8	51 1/2
12 1/2	2 1/4	—	Radio Corporation	4 1/2	4
7 3/4	1 1/2	—	Radio-Keith Orpheum	3	2 7/8
40 1/4	26 1/2	3.00	Reynolds Tobacco "B"	29 1/2	29
37 3/8	9 3/8	—	Sears Roebuck	18 5/8	18 1/2
8 3/4	2 1/2	—	Shell Union	4 3/4	4 3/4
13 3/4	2 3/4	—	Simmons Company	6 5/8	6 1/2
12 1/4	5 1/4	.40	Socony-Vacuum Corp.	7	6 7/8
28 3/4	15 3/4	2.00	Southern California Edison	25 1/2	25
34 1/4	7 5/8	2.00	Standard Gas & Electric	13 1/8	12 3/4
37 3/8	19 7/8	*1.00	Standard Oil of N. Jersey	29 7/8	29 1/4
18 1/4	9 1/4	1.00	Texas Corporation	12 7/8	12 1/4
26 3/4	12	2.00	Texas Gulf Sulphur	21 3/4	21 1/2
7 1/8	2 1/4	—	Trans America	4 5/8	4 3/4
86 3/8	15 1/2	1.20	Union Carbide & Carbon	24 7/8	25 1/2
94 1/2	27 5/8	6.00	Union Pacific Railway	66 1/2	66 7/8
34 5/8	6 1/2	—	United Aircraft & Trans.	24 1/2	25
14	3 1/2	.40	United Corporation	8 1/2	8 7/8
22	9 1/4	1.20	United Gas Improvement	18 5/8	19 1/8
10 1/4	1 1/4	—	U. S. Rubber	3 3/8	3 3/8
52 5/8	21 1/4	—	U. S. Steel	26 5/8	25 5/8
23 3/4	5 1/4	—	Vanadium	10 5/8	10 3/4
4 1/2	1/2	—	Warner Bros. Pictures	1 3/4	1 3/4
43 1/2	15 5/8	—	Westinghouse E. & M.	26 1/4	26 1/2
45 5/8	22	2.40	Woolworth	35 1/4	35 5/8
*Plus extras			Call Money	1%	1%

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Death of Colonel Richard S. Hooker

Colonel Richard Stewart Hooker, commanding officer of the 4th Marines in Shanghai, died suddenly shortly after noon on Dec. 24. He had returned to his home, in Avenue Joffre, after a morning spent shopping when he suddenly collapsed from heart failure. The late Colonel Hooker was born in California on February 13, 1877. He joined the United States Marines from Nevada on March 3, 1900. He was commissioned a colonel on July 28, 1925. He had been in failing health for the past year. He took command of the 4th Marines, Marine Corps Expeditionary Forces on October 22, 1930. He was a graduate of the U. S. Naval War College and the U. S. Army Infantry School, advanced course.

The funeral was held at the Holy Trinity Cathedral, Shanghai, Dec. 29, where the body lay in state during the forenoon. The services were conducted by Dean Trivett of the Cathedral, Bishop F. R. Graves of the American Episcopal Mission, and the Rev. J. C. Brooks, Regimental chaplain. Representatives of all the various naval and military units in Shanghai, including the Shanghai Volunteer Corps, were present, and also representatives of Chinese military and civil establishments.

Brigadier General Fleming, Judge Milton D. Purdy, Captain J. H. Merriam, Major C. P. Holcomb and Messrs. Harry Paine, Hugh Martin, Ranald G. McDonald, Cornell S. Franklin, Vilhelm Meyer and John Potter, served as honorary pall bearers.

The body of the late Colonel Hooker will be shipped to the United States and buried in Arlington cemetery.

Colonel Hooker is survived by his widow and three young children in Shanghai, and two sons by a former marriage, one of whom is in the United States and the other, Richard S., Jr., who is a corporal in the U. S. Marine Corps, had arrived in Shanghai a week before his father's death.

Upon the death of Colonel Hooker, the command of the Marines in Shanghai, has temporarily at least been taken over by Lieut-Colonel E. P. Moses, of South Carolina, who arrived here about two weeks ago. It has been reported that Col. Fred. D. Kilgore will be sent out here as permanent officer, but this report has not been confirmed.

Colonel Hooker was the third Marine commander in Shanghai to succumb. The first commander, Col. Charles S. Hill, committed suicide. He was succeeded by Col. Henry C. Davis, who died of heart failure in San Francisco upon his return home after his service. His successor, as above recorded, also died of heart failure.

The National City Co. Gold Bond Quotations Received From Head Office

Dec. 22, 1932.

SECURITY	RATE &	DATE DUE	Price	Approx Yield%
The National City Bank of New York		Stock	45	—
Argentine Government	6 %	May 1, 1960	46	—
U. S. of Brazil	6½%	Oct. 15, 1957	15⅜	—
Republic of Finland	6½%	Sep. 1, 1956	60	—
German Central Bank for Agriculture	6 %	Oct. 15, 1960	49⅛	—
Kingdom of Italy	7 %	Dec. 1, 1951	98½	7.15
State of Minas Geraes Series "A"	6½%	Sep. 1, 1959	14½	—
State of Sao Paulo (Brazil)	7 %	Oct. 1, 1940	53⅛	—
American I. G. Chemical Corporation	5½%	May 1, 1949	73	8.59
Chine Westphalia Electric Power Corp.	6 %	Apr. 1, 1955	51¾	12.50

QUOTATIONS RECEIVED FROM LONDON OFFICE

Republic of China Gold Loan	5 %	1925	69½	—
Chinese Govt. Re-org. (£) Loan Stamped	5 %	1913/60	77½	—
Chinese Govt. Re-org. (£) Loan Unstamped	5 %	1913/60	75½	—
Chinese Government (Crisp Loan)	5 %	1612	44½	—
Shanghai-Nanking Railway	5 %	1904/08	44	—
Shanghai-Hangchow-Ningpo Railway	5 %	1908/58	82	—
Hukuang Railway	5 %	1911/1951	29	—
Tientsin-Pukow Railway	5 %	1908/09	30	—

NOTE: The above quotations are received by cable, and whilst believed to be correct, are not guaranteed.

The National City Bank of New York, Rates of Exchange

Shanghai Dec. 28, 1932.

Demand selling rate on America:	U.S. $1.00 = Sh. $5.1935
Demand buying rate on America:	U.S. $1.00 = Sh. $5.0938
Demand selling rate on London:	£1.0.0 = Sh. $17.354
Demand buying rate on London:	£1.0.0 = Sh. $17.092

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H. O. Tong,
Superintendent of Customs.

L. H. Lawford,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 22nd December, 1932.

Sinking Fund Committee for Greater Shanghai Loan Is Inaugurated

The committee to administer the sinking fund of the loan of $6,000,000 issued by the City Government of Greater Shanghai was inaugurated at a meeting held at the office of the City Government Dec. 16. It was decided at the meeting that the Hongkong & Shanghai Banking Corporation should be asked to take charge of the payment of interest and redemption of capital of the loan and that the bank submit a report to Messrs. Benjamin & Potts to be forwarded to the attention of the Rehabilitation Loan Sinking Fund Administrative Committee within three weeks after the drawings are held. The committee will have its offices attached to the City Government of Greater Shanghai and will hold two meetings every year.

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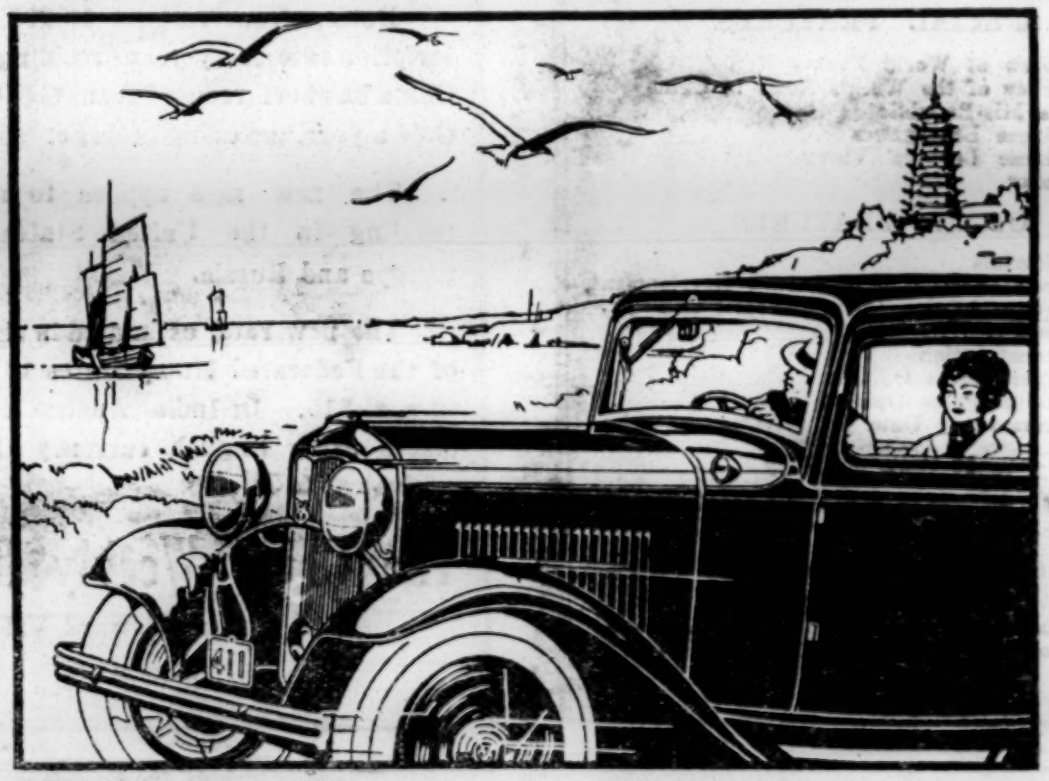

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